Norfolk County Council

Audit Committee

Date: **Thursday 14 October 2021**

Time: **2 pm**

Venue: **Council Chamber, County Hall, Martineau Lane, Norwich NR1 2DH**

Membership

Cllr Ian Mackie (Chair)
Cllr Robert Savage (Vice Chair)
Cllr Michael Dalby
Cllr Terry Jermy
Cllr Mark Kiddle-Morris
Cllr Saul Penfold
Cllr Karen Vincent

Advice for members of the public:

This meeting will be held in public and in person.
It will be live streamed on YouTube and, in view of Covid-19 guidelines, we would encourage members of the public to watch remotely by clicking on the following link: https://www.youtube.com/channel/UCdyUrFjYNPfPq5psa-LFIJA/videos?view=2&live_view=502which

However, if you wish to attend in person it would be most helpful if, on this occasion, you could indicate in advance that it is your intention to do so. This can be done by emailing committees@norfolk.gov.uk where we will ask you to provide your name, address and details of how we can contact you (in the event of a Covid-19 outbreak). Please note that public seating will be limited.

Councillors and Officers attending the meeting will be taking a lateral flow test in advance. They will also be required to wear face masks when they are moving around the room but may remove them once seated. We would like to request that anyone attending the meeting does the same to help make the event safe for all those attending. Information about symptom-free testing is available here

A g e n d a

1 To receive apologies and details of any substitute members attending

2 Minutes Page 5

To confirm the minutes of the meeting held on 21st July 2021.

3 Members to Declare any Interests

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

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

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

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

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

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

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

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

Tom McCabe
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Date Agenda Published: 6 October 2021

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Audit Committee
Minutes of the Meeting held in Council Chamber, County Hall on Thursday 29 July 2021 at 2pm

Present:

Cllr Ian Mackie – Chairman
Cllr Michael Dalby
Cllr Mark Kiddle-Morris
Cllr Robert Savage – Vice-Chairman
Cllr Saul Penfold

Substitute Members Present:

Cllr Brenda Jones for Cllr Terry Jermy

1 Apologies for Absence

1.1 Apologies were received from Cllr Karen Vincent and Cllr Terry Jermy.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 22 April 2021 were agreed as an accurate record and were signed by the Chairman.

3 Declaration of Interests

3.1 Cllr Robert Savage declared an "Other Interest" as he is a Member of the Norfolk Pension Fund scheme.

3.2 Cllr Ian Mackie declared an "Other Interest" regarding item 5 because of his work with the ONS Commercial Director on their communications strategy.

4 Items of Urgent Business

4.1 There were no items of urgent business.

5 Census 2021.

5.1 The Chairman welcomed Paul Askew and Neil Yemm from the Office National Statistics (ONS) and Jill Terrell the Head of Libraries and Information Services whom undertook a presentation of the 2021 Census (copy attached to these minutes). Eliska Cheeseman, Head of Norfolk Office of Data & Analytics (NODA) was also present.

5.2 The Committee were advised that data from the census was still being processed and analysed and that only a national overall picture was available currently. Data relating to Norfolk specifically would be available in Spring 2022. A period of quality assurance had just been entered and would continue through until November to ensure the robustness of the data collected. Nationally the response rate was over 97% against a target of 94%. Norfolk County Council had worked hard to promote Census awareness, along with local media outlets and district authorities. Social media platforms were also extensively used to engage participation.

5.3 The Chairman thanked all those involved in the Census 2021 and was delighted to see the overall response nationally was 97% which was exceptional, given the difficult circumstances experienced during the census period.

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

- The overall response rate at 97% was higher than the previous census responses in 2001 and 2011.
- There was usually a time lag of 24 months before data collected was verified and analysed and then used to help shape and form policy changes.
- Over 90% of Norfolk residents had responded online rather than in paper form.
- The committee were hopeful that once the data relating to Norfolk was available in 2022, representatives from ONS would return to undertake a further presentation and to provide more countywide detail and a Norfolk interpretation of findings.

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

Thank all those who had attended the meeting to present and support the presentation and look forward to receiving data relating specifically to Norfolk in due course.

6 Norfolk Audit Services Quarterly Report ending 30 June 2021.

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

6.2 In response to questions the following points were noted.:

- As at 31st March 2021 the Covid-19 pandemic had resulted in the cancellation of three audits that were due to have taken place in 2021/22.
- Discussions continued with service departments to ascertain whether audit assurance work was required for those audits that were deferred/cancelled. None of the nine deferred audits were, however, considered urgent.

- The third column of the table at Appendix A to the report referred to the number of audit days set aside for each of the proposed audits. The heading for the columns in the table would be confirmed by the Assistant Director of Finance (Audit) with Cllrs after the meeting

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

Agree the key messages featured in the report; that the work and assurance meet their requirements.

7 Norfolk Audit Services Annual Report 2020-21

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

7.2 The Chairman thanked officers for the comprehensive report, the audit team for their achievements and the External Auditors Ernest Young for their work throughout the year. The Chairman welcomed the 'Acceptable' opinion for the overall adequacy and effectiveness of the County Council's Framework of Risk Management, Governance and Control for 2020/21.

7.3 The committee noted that all audit work was measured against an international standard for the professional practice of internal auditing; Public Sector Internal Auditing Standards (PSIAS). A five-year review of practices measured against those standards had received a positive result. The External Auditor receives all audit reports. The Annual Governance Statement will reference the impact of Covid and the measures taken to monitor and manage the Council's services during the pandemic will be covered in that report in the Autumn.

7.4 Cllrs considered the circumstances when management letters should be issued. It was noted that these provided advice and guidance and were sometimes used as an alternative to audit opinion work, for areas of work where there had not previously been an audit. The letter did not negate the need for a later audit but outlined audit expectations of a department or service moving forwards.

7.5 The Committee considered the report and **RESOLVED** to agree the following key messages from the Annual Report 2020-21:

- Our opinion on the overall adequacy and effectiveness of the County Council's framework of risk management, governance and control for 2020/21 is 'Acceptable'.
- The audit service provided by NAS continues to conform with the International Standards for the Professional Practice of Internal Auditing (Public Sector Internal Auditing Standards (PSIAS)) and complies with the Accounts and Audit Regulations 2015 (as amended).
- The Annual Governance Statement (AGS) for 2020/21 will refer to this report and will be reported to this Committee in October 2021 for its approval

- The impact of Covid-19 for ongoing ways of working, internal controls, risks and governance are being continually monitored and managed and assurance will be provided to the Committee through regular reporting.
- That the Committee continue to review information on the effectiveness of the management processes and corporate control functions (legal, financial, health and safety and human resources services performed) as provided by internal audits, self-assessment, customer feedback and any existing external performance reviews.

8 Annual Risk Management Report 2020-21.

8.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with information on risk management for the financial year 2020-21, incorporating the main changes that had occurred within the year. The report was separate to the report detailing risk management for the first quarter for 2021-22

8.2 The Committee considered the report and **RESOLVED** to agree the following key messages from the Annual Risk Management Report 2020-21:

- The overall opinion on the effectiveness of Risk Management for 2020/21 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)

- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) and recognised Public Sector Internal Audit standards.

- Risk management has played a prominent role in the Council's response to the pandemic over the last financial year, in considering risk-based decisions at every level of the Council.

- The Annual Governance Statement for 2020/21 will refer to this report and is also reported to this Committee for its approval

9 Quarterly Risk Management Report

9.1 The Committee received the report by the Executive Director of Finance and Commercial Services referencing the corporate risk register as it stood in July 2021 following the latest review conducted during June 2021.

9.2 A summary of significant changes to corporate risks since they were last issued to this Committee had been included in Appendix A for information purposes. The latest corporate risk heat map for the corporate risk register was included in Appendix B providing a visual summary of corporate risks. Full details of the current corporate risks were included in Appendix C, including further explanation on risk scoring. Scrutiny options available for the management of corporate risks were presented at Appendix D, along with background information at Appendix E. Finally, Appendix F set out the key messages from the recently undertaken risk management health check by the Council's insurers.

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

9.3.1 In respect of risk **RM029 NCC skill shortages**, detail of what skills and what services could be affected where unknown at this stage. Whilst discussion with HR had taken place, further analysis of the recent staff survey was required. It was acknowledged that this risk needed further investigation and would return to the committee at the next meeting.

9.3.2 Whilst it was noted that risks concerning **Covid 19 (RM032a)** were ongoing, the issue of any impact of the so called "*pingdemic*" was questioned. To date no known issues had arisen due to any isolating staff being absent, but the Assistant Director of Governance (Audit) indicated he would check and report back to members directly.

9.3.3 Risks **RM006 failure delivery within available resource** and **Risk RM029 NCC skill shortages** were thought to be linked, as failure to have sufficient money may lead to a failure to recruit individuals with the necessary skills.

9.3.4 A Government paper regarding long term **funding of adult social services (Risk RM023)** was awaited and as no plan was currently in situ the amber rating was considered an optimistic outlook. The next quarter's report would seek to provide some clarity on the risk status moving forward.

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

- a) The key messages as per section 2.1 and 2.2 of this report
- b) The key changes to the generic corporate risk register (Appendix A);
- c) The corporate risk heat map (Appendix B);
- d) The latest generic corporate risks (Appendix C);
- e) Scrutiny options for managing corporate risks (Appendix D);
- f) Background Information (Appendix E);
- g) The key messages from the risk management health check (Appendix F)

10 Local Audit & Accountability Act 2014 – External Auditor Appointments.

10.1 The Committee received the report by the Executive Director of Finance & Commercial Services. The report outlined the position for the appointment of external auditors for the period 2022/23. The current appointments will expire after the 2021/22 audit and new or continuation of existing appointments need to be confirmed by 31 December 2022 to ensure compliance with the regulations as set out in Local Audit & Accountability Act 2014.

10.2 In response to member questions it was noted that the fee scales have been laid out and agreed within the framework of the Public Sector Audit

Appointments Ltd and are published on their website. However, specialist areas of services or work related to Norse Group would attract additional fees. All auditors within the framework are of a high standard and have undergone a thorough examination of their credentials and abilities to deliver audit services.

10.3 The Committee considered the report and **agreed** to note

- 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 with regard to securing value for money; and

and **RESOLVED**

To commend to Full Council to direct the Executive Director of Finance and Commercial Services 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.

11 Monitoring Officer's Annual Report 2020-21.

11.1 The Director of Governance had sent her apologies and the report was presented by the Assistant Director of Governance (Audit). The Committee received the report by the Director of Governance summarising the internal governance work carried out by the Monitoring Officer and Deputy Monitoring Officer in 2020-21 and providing assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer was adequate and effective.

11.2 The Chairman highlighted the good news that there had been no reportable incidents during the period 2020/21; the systems of internal control administered were adequate and effective during 2020/21 and that there were no breaches of the Council's Code of Conduct by the standards Committee in 2020/21. The Chairman thanked the Director of Governance and Monitoring Officer for her work, in her absence.

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

- The contents of the report and the key messages in the above Executive Summary and Appendix A section 2.1

12 Senior Information Risk Officer (SIRO) Annual Report 2020-21

12.1 The Committee received the report by the Executive Director of Strategy & Transformation providing an annual assurance statement to confirm that there are adequate systems and processes in place around Information Governance. The report advised that the current SIRO Andrew Stewart (Director Insight & Analytics) had assumed the role from Helen Edwards (Director of Governance) on 1 November 2020. Helen Edwards continues as the Data Protection Officer (DPO).

12.2 The Director Insight & Analytics had sent his apologies and the report was introduced by Nigel Gollop Head of Governance Information. The report concluded that adequate systems and processes where in place around Information Governance and any potential information risks have been mitigated. Significant progress had been made following the implementation of recommendations from the Society for innovation, technology and modernisation (SOCITM) report.

12.3 The committee noted:

- Information Governance mandatory training had been created and had 95% completion rate.
- A new Information Governance Steering Group had been created, holding bimonthly meetings with clear accountability.
- There had been only 6 data breaches reported to the ICO – no fines had been issued with 3 cases closed and 3 outcomes awaited.
- Electronic centralisation of Information Governance documents is underway and further technology enhancements are being looked into, such as the online Freedom of Information requests form which has been delivered

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

- That appropriate actions have been taken and there is a clear plan for further improvement.
- The SIRO role, described in the Council's Data Quality Policy, had been adequately discharged.

13 Norfolk Pension Fund Governance Arrangements

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

13.2 In the absence of the Director of the Norfolk Pension Fund whom had given his apologies for the meeting, the Head of Funding & Investment, Norfolk Pension Fund, introduced the report, highlighting the Membership of the Scheme; the contributors to the scheme and the recent investment market conditions following the covid-19 pandemic.

13.3 In response to Cllrs questions the committee were advised that:

- The fund has 90,000 members and currently was 100% funded.
- The Norfolk Pension Fund total assets were now valued above pre-covid-19 levels at £4.5bn.

- Although the fund did not exclude any sector of investment, leverage was used as a shareholder to question and influence polices of concern such as environmental factors. The Council produces a document entitled the Investment Strategy Statement which details the Responsible Investment Policy. The outsourced fund managers have to comply with the arrangements within this policy with regard to Environmental, Social and Governance factors.

13.4

The Chairman thanked the Pensions Team and highlighted that the investment market fluctuations which had returned so quickly over a 12 month period was a remarkable result, and the fact that the pension deficit was now eroded completely was an amazing turn around.

13.5

The Committee considered the report and **RESOLVED** to:
Agree the report which detailed Norfolk Pension Fund's governance arrangements being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

14 Audit Committee Work programme

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

16.3 The Committee considered and **noted** the report and agreed to add 2 additional items:

1. The report on the work of the Audit Committee would be received for the meeting in October 2021
2. The Director of People to be asked to provide further detail on the skills gap of employees required to maintain services and the likely risks involved (RM029).

The meeting ended at 3.55 pm

Audit Committee

Item No 5

Report Title: Risk Management

Date of Meeting: 14th October 2021

Responsible Cabinet Member: N/A

Responsible Director: Simon George, Executive Director – Finance and Commercial Services

Is this a Key Decision? No

If this is a Key Decision, date added to the Forward Plan of Key Decisions: N/A

Executive Summary

Risk management continues to play an active role in the Council's response to the ongoing COVID-19 pandemic.

This report references Norfolk County Council's corporate risk register as it stands in October 2021, following the latest review conducted during late August 2021.

A summary of significant changes to corporate risks since they were last issued to this Committee has been included in **Appendix A** for information purposes. The latest corporate risk heat map for the corporate risk register is included in **Appendix B** providing a visual summary of corporate risks. Full details of the current corporate risks are included in **Appendix C**, including further explanation on risk scoring. Scrutiny options available for the management of corporate risks are presented at **Appendix D**, along with background information at **Appendix E**. Responses to actions taken from the last meeting are detailed below in paragraphs 6.2 and 7.1.

Recommendations:

To consider and agree;

a. The key messages as per paragraph 2.1 of this report
b. The key changes to the corporate risk register **(Appendix A)**;
c. The corporate risk heat map **(Appendix B)**;
d. The latest generic corporate risks (**Appendix C)**;

e. Scrutiny options for managing corporate risks **(Appendix D)**;
f. Background Information **(Appendix E)**;

1. Background and Purpose

1.1 One of the Audit Committee's roles is to consider the effectiveness of the Council's risk management. The purpose of this report is therefore to provide assurance on the effectiveness of risk management and the corporate risk register as a tool for managing the biggest risks that the Council faces, helping the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives and is a key part of the Council's performance management framework.

1.2 The Council's corporate risks were last reported to, and agreed by, Cabinet on 6th September 2021.

2. Proposal

2.1 The key general risk messages are as follows:

- Recommendations from the commissioned independent risk management health check are being implemented and have been incorporated into a revised risk management strategy to further strengthen the Council's risk management framework. The link to the strategy can be found here (p. 213 – 218).
- There is joined-up working between the Risk Management Function and the Resilience team looking ahead to the winter period, to ensure that as a Council, we are as resilient to the challenges that we will undoubtedly face during this period, and have taken account of the associated risks.

2.2 The specific corporate risk messages are as follows;

- The reduction of the current risk score of **RM010 - The risk of the loss of key ICT systems including: internet connection; telephony; communications with cloud provided services; or the Windows and Solaris hosting platforms** from 4 to 3 (impact lowered from 4 to 3)
- Risk **RM028 - Risk of any failure to monitor and manage health and safety standards of third party providers of services** has been closed;
- There is a new corporate risk **RM033 - Failure to receive the necessary funding or statutory approvals to enable the Norwich Western Link (NWL) project (at £198m) to be delivered to the agreed timescales (target opening by late 2025)**.

Further details of the above risk changes can be viewed at **Appendix A**.

3. Impact of the Proposal

3.1 Risk management plays a key role in managing performance and is a requirement in the Accounts and Audit Regulations 2015 (amended 2020). Sound risk management helps ensure that objectives are fulfilled, that resources and assets are protected and used effectively and efficiently. The responsibilities for risk management are set out in the Financial Regulations, which are part of the Council's Constitution.

4. Evidence and Reasons for Decision

4.1 Not applicable, as no decision is being made.

5. Alternative Options

5.1 There are no alternative options identified.

6. Financial Implications

6.1 With the COVID-19 pandemic there are major financial implications to consider. Whilst all corporate risks will have varying degrees of financial implication associated with them, the key risks with a financial consideration are RM002, RM006, RM023, RM031, and RM032a.

6.2 In response to the point raised at the last Audit Committee regarding the prospects of achieving the target score of risk RM023 - Failure to respond to changes to demography, funding, and government policy: the Government has published its high level proposals about reform of adult social care. Whilst a White Paper is due later in the Autumn, it is clear that there remain challenging funding issues for the sector. Additional funding has been proposed, but the majority of this will go to the NHS in the first instance. In the light of this, the department has indicated it will be recommending a change to the prospect score when the risk is next reviewed and updated at Cabinet.

7. Resource Implications

7.1 Staff: At the last Audit Committee, a point was raised on risk RM029 - NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term, on where the staff or skills shortages may exist within the Council's workforce. Further work is being carried out including an analysis of the Council's latest staff survey. Within adults and children's services where the risk of insufficient social workers and social care staff has increased this level of risk, local recruitment and retention plans are being developed to attract and retain staff as an urgent priority.

7.2 **Property:** Work continues to be undertaken by the Smarter Working Programme to ensure a well-managed partial return to the office for colleagues who were office-based prior to the pandemic. Risk-based decisions are being taken, with health and safety considerations at the forefront of this work.

7.3 **IT:** The Council's Information Management Technology team closely monitor cyber security threat levels, and continue to roll out the technological advances and IMT training that are helping Members and officers to carry out their duties effectively.

8. Other Implications

8.1 **Legal Implications:** There are no specific legal implications to consider within this report.

8.2 **Human Rights Implications:** There are no specific human rights implications to consider within this report.

8.3 **Equality Impact Assessment (EqIA) (this must be included):** None applicable.

8.4 **Data Protection Impact Assessments (DPIA):** None applicable.

8.5 **Health and Safety implications (where appropriate):** As per paragraph 7.2 above, health and safety considerations are at the forefront of the work being carried out to enable office-based colleagues to return to the office in a safe, sustainable, and flexible manner.

8.6 **Sustainability implications (where appropriate):** There are no specific sustainability implications to consider within this report over and above the implications of COVID-19 on a sustainable new way of living and working for the foreseeable future. Any sustainability risks identified as part of the Council's Environmental Policy (page 58) will be recorded and reported appropriately.

8.7 **Any Other Implications:** There are no other risk implications to consider within this report.

9. Risk Implications / Assessment

9.1 The risk implications are set out in the report above, and within the risks themselves at **Appendix C**. Risks with target dates of September 2021 are currently being reviewed with risk owners and/or reviewers to see where these have been met or where further mitigation is required.

10. Select Committee Comments

10.1 There are no recent risk-based comments from the Select Committee to report.

11. Recommendations

To consider and agree;

a. The key messages as per paragraph 2.1 of this report
b. The key changes to the corporate risk register **(Appendix A)**;
c. The corporate risk heat map **(Appendix B)**;
d. The latest generic corporate risks (**Appendix C)**;
e. Scrutiny options for managing corporate risks **(Appendix D)**;
f. Background Information **(Appendix E)**;

12. Background Papers

12.1 None applicable.

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

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Appendix A

Key Changes to Corporate Risks

The quarterly review of the corporate risk register has generated the following changes, agreed by Cabinet;

Risk Closure

It is proposed to close risk **RM028 - Risk of any failure to monitor and manage health and safety standards of third party providers of services.** All mitigations have been implemented for this risk. Services have greatly improved their approach to managing and monitoring H&S standards of 3rd party providers. We have seen through the pandemic that the departments with large third party providers have taken this responsibility seriously and have put in place means to be assured these providers are meeting appropriate standards.

Risk Score Change

RM010 - The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms. Further progress has been made to mitigating actions to have met the target risk score of 3, reduced from 4. The risk will continue to be reported as an ongoing open risk but will now move from being treated to tolerated.

New Risk

It is proposed to open a new corporate risk relating to the Norwich Western Link; **RM033 - Failure to receive the necessary funding or statutory approvals to enable the Norwich Western Link (NWL) project (at £198m) to be delivered to the agreed timescales (target opening by late 2025).** This follows the agreement at Cabinet in June 2021 to undertake a programme of capital works for which Council has agreed a budget, as further set out in the paper Capital strategy and programme 2021- 22.

Appendix B

Corporate Risks - Heat Map

LIKELIHOOD	Insignificant 1	Minor 2	Moderate 3	Major 4	Extreme 5
Almost Certain 5					23
Likely 4				32a	29, 31
Possible 3		4	3a, 3b, 22b, 1	33, 2	30
Unlikely 2				24	6, 26, 27
Rare 1			10 ▽	13	

IMPACT

Key △ = Risk score increase ▭ = no score change ▽ = risk score decrease

No.	Risk description	No.	Risk Description
RM001	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan.	RM022b	Implications of Brexit for a) external funding and b) Norfolk businesses
RM002	The potential risk of failure to manage significant reductions in local and national income streams.	RM023	Lack of clarity on sustainable long-term funding approach for adult social services at a time of increasing demographic pressures and growing complexity of need.
RM003a	Potential for failure to comply with statutory information compliance requirements.	RM024	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023).
RM003b	Potential for failure to comply with relevant information security requirements	RM026	Legal challenge to procurement exercise.
RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	RM027	Risk of failure of new Human Resources and Finance system implementation (myOracle).
RM006	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.	RM029	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term.
RM010	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.	RM030	Non-realisation of Children's Services Transformation change and expected benefits.
RM013	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions	RM031	NCC Funded Children's Services Overspend
		RM032a	Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)
		RM033	Failure to receive the necessary funding or statutory approvals to enable the Norwich Western Link (NWL) project (at £198m) to be delivered to the agreed timescales (target opening by late 2025).

Appendix C

Risk Number	RM001	**Date of update**	06 September 2021
Risk Name	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan		
Portfolio lead	Cllr. Martin Wilby	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	03 June 2019

1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • Congestion, delay and unreliable journey times on the transport network • A lack of the essential facilities that create attractive conditions for business activity and investment, and sustainable communities, including good connectivity, public transport, walking and cycling routes, open space and green infrastructure, and funding for the infrastructure necessary to enable the county council to perform its statutory responsibilities, eg education. Overall risk treatment: Treat

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	3	3	**9**	3	2	**6**	Mar-22	**Amber**

Tasks to mitigate the risk

1.1) Work with other county council officers and partners including government, local enterprise partnerships and district councils to compile evidence and the case for investment into infrastructure in order to achieve success through bidding rounds for capital investment.
1.2) Identify and secure funding including Pooled Business Rates (PBR) to develop projects to a point where successful bids can be made for funding through compiling evidence and cases for investment.
1.3) Engage with providers of national infrastructure – Highways England for strategic (trunk) roads and Network Rail for rail delivery – to ensure timely delivery of infrastructure projects, and work with partners on advocacy and lobbying with government to secure future investment into the networks.
1.4) Review Planning Obligations Standards annually to ensure the county council is able to seek and secure the maximum possible contribution from developers.
1.5) Continue to build the relationship with strategic partners including elected representatives, government departments, local enterprise partnerships, regional bodies such as Transport East (the Sub-National Transport Body) and other local authorities to maximise opportunity and work together in the most effective joined-up manner.
1.6) Periodically review timescales for S106, and other, funding contributions to ensure they are spent before the end date and take action as required. Periodic reviews for transport contributions and an annual review process for library and education contributions.

Progress update

Progress update
Overall: Impact of Covid-19 likely to affect funding streams in both the short and longer-term. 1.1) NWL: Outline Business Case submitted to DfT and Design and Build contractor appointed following Cabinet agreement 7 June. TfN draft Strategy recommended to TfN Joint Committee (29/7) for consultation over the summer, which will help to support future transport delivery in and around Norwich. OBC for Long Stratton Bypass submitted to DfT 15 Jan 2021 and funding confirmed 24 July 2021. West Winch Housing Access Road Strategic OBC submitted to DfT at end of March. Working through queries with DfT. A47/A17 Pullover Junction King's Lynn: Work has identified three options for improvement. Preferred Option to be identified and taken through DfT Major Road Network funding stream. Transforming Cities now in delivery phase. Gt Yarmouth Third River Crossing: Works started on 4 January 2021 as planned. Continuing to work with districts and other partners on a range of infrastructure projects. 1.2) Funding secured from PBR for development of Norwich Western Link and West Winch Housing Access Relief Road (see 1.1). Working up bid for next round of DfT Active Travel Fund, closing date 9 August. Work continues on scope of county-led transport levelling-up bid. Community Renewal Fund bids appraised by county council, agreement reached with partners and submitted for closing date 18 June. 1.3) A47 Alliance refreshed advocacy work up to 2021 spending review continues to be developed. Great Eastern Main Line (Norwich to London rail): Review of the programme underway by Network Rail, focusing on performance and journey time improvements, following response to business case from Minister. Continuing to work on Ely Task Force; consultation on minor improvements undertaken in June. Continuing to support East West Rail Consortium; pre-SOBC work on Eastern Section drafted for agreement. Representations to A47 Blofield to Burlingham, Easton to Tuddenham and Thickthorn DCOs submitted to Planning Inspectorate by deadlines. NCC will be represented at Hearings over the summer. 1.4) Officers have updated the County Council's Planning Obligations Standards (2021) and will continue to update annually to ensure the county council is able to seek and secure the maximum possible contribution from developers. Officers are working with the County Council Network and the Regional Planning Obligations Officer Group to lobby the Ministry of Housing Communities and Local Government on proposed reforms to the developer contributions. The review of the CC's Planning Obligations Standards will be carried out later in the year (2021) and reported to Cabinet in Spring 2022 if appropriate. 1.5) CContinuing to work with Transport East on transport strategy (consultation planned for autumn); liaising with DfT, Network Rail and Highways England on strategic road and rail schemes; attending wider partnership groups including LEP Transport Board. 1.6) Officers have introduced a new system of monitoring known as the Infrastructure Funding Statement (IFS) to comply with the 2010 Community Infrastructure Levy (CIL) Regulations (as amended in September 2019). This will ensure monitoring is effective, transparent and up to date. The County Council uploaded the first IFS in December 2020 which is available on the NCC website and provided data on developer agreements, agreement contributions and agreement transactions, we will publish the updated IFS later in the year (2021) in line with the above CIL Regulations.

Risk Number	RM002	**Date of update**	06 September 2021
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams		
Portfolio lead	Cllr. Andrew Jamieson	**Risk Owner**	Simon George
Risk Description		**Date entered on risk register**	31 May 2019

A gap may arise from global or local economic circumstances (i.e. Brexit / Covid-19), government policy on public sector budgets and funding and pressures including price inflation, demography and the costs of policy change. As a result there is a risk that the Medium Term Financial Strategy savings required for 2021/22 - 2024/25 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website. Overall risk treatment:Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	4	**8**	Mar-22	**Amber**

Tasks to mitigate the risk

Medium Term Financial Strategy and robust budget setting within available resources.
No surprises through effective budget management for both revenue and capital.
Budget owners accountable for managing within set resources.
Determine and prioritise commissioning outcomes against available resources and delivery of value for money.
Regular and robust monitoring and tracking of in-year budget savings by Corporate Board and members.
Regular finance monitoring reports to Cabinet.
Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants. Close monitoring of government announcements on both funding and policy (including any policy changes as a result of COP26).
Plans to be adjusted accordingly once the most up to date data has been received.

Progress update

County Council on 21.02.21 approved the 2021-22 budget and future Medium Term Financial Strategy 2021-25 taking into account the Final Local Government Finance settlement for 2021-22. The risk target score for 31 March 2021 has been met.
The council’s external auditors gave an unqualified audit opinion on the 2019-20 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31.03.2020.
The implications of the COVID-19 response, coupled with continued uncertainty and the further delay of the significant planned reforms for local government finance, represents a major challenge for the Council in developing its Medium term Financial Strategy. Cabinet on 5.7.21 considered a strategic and financial planning report for 2022-23 and further reports will be presented to Cabinet during the year incorporating future Government funding and policy announcements and updates on the budget planning process in order that County Council can agree the 2022-23 Budget and level of council tax at its February 2022 meeting.

Appendix C

Risk Number	RM003a	**Date of update**	06 September 2021
Risk Name	Failure to comply with statutory information compliance requirements		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Andrew Stewart
Risk Description		**Date entered on risk register**	05 June 2019

There is a risk of failing to comply with statutory information compliance requirements (e.g. under GDPR, FOI, EIR) which could lead to reputational damage and financial impact from any fines or compensation sought.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	**12**	3	3	**9**	2	3	**6**	Sep-21	**Green**

Tasks to mitigate the risk

1. Mandatory Information Governance Training for all colleagues
2. Information Governance Group and Steering Group occur bi-monthly
3. Detailed management information in place to monitor performance
4. Two-way relationship with ICO maintained to ensure positive working relationship
5. Focus on resource available / required to ensure consistency of service
6. Ongoing improvements underway to improve efficiency and effectiveness

Progress update

Information Governance action plan 2020 has been delivered to ensure a more robust Information Governance culture.

New mandatory training for Information Governance (Data Protection Essentials) launched in January 2021 which has received positive feedback and completion rate remains at around 95%.

Information Governance Group and the new escalation Steering Group comprising the SIRO, DPO, Dir IMT, Audit and Caldicott Guardians occuring bi-monthly to deliver a strong focus and accountability on information related matters.

Management information in place to allow actions to be taken on activity within the team and resource to be appropriately allocated / requested. Significant improvements in many areas including Freedom of Information Requests and Police disclosures. Subject Access Requests are improving and focus remains on these.

Positive relationship with the ICO in relation to data incidents and responses to subject access requests which helps demonstrate a good culture towards information in NCC.

Clear focus of activity in 2021/22 to improve efficiency in the team when dealing with requests (online FOI form has already been delivered) which will further improve the resource availability the Information Governance Team can give to support IG queries across NCC.

These activities will enhance many of the mitigations to a higher standard, reducing the likelihood of occurrence - the impact should anything happen would likely result in local or national media attention, depending on the severity of the issue.

Risk score of 9 remains until all activity has had time to embed fully into the business.

Appendix C

Risk Number	RM003b							**Date of update**	06 September 2021	
Risk Name	Failure to comply with relevant information security requirements									
Portfolio lead	Cllr. Tom Fitzpatrick						**Risk Owner**	Geoff Connell		
Risk Description								**Date entered on risk register**	05 June 2019	
There is a risk of failing to comply with relevant information security requirements (e.g. NIS, PSN, PCI-DSS) which could lead to reputational damage and financial impact. Overall risk treatment: Treat										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	**12**	3	3	**9**	1	3	**3**	Sep-21	**Green**

Tasks to mitigate the risk

1. Mandatory Training in place for all colleagues - ongoing
2. Development and monitoring of MI for breaches - ongoing
3. Implementation of improved security measures - ongoing
4. External networking to ensure best practice - ongoing

Progress update

- Rollout of new Mandatory training to all colleagues
- Implementation of improved security measures e.g. E5 Licencing
- Involvement with National cybersecurity organisation
- Extensive communications to NCC staff on remaining vigilant against cyber-attacks
- Increased take up of IT training;
- A simulated phishing exercise, carried out to understand where weaknesses remain;
- Roll-out of Safe Links and Safe Attachments technology, which screens MS Office attachments and links
before being opened;
- Anti-spoofing technology software being introduced.

Risk score of 9 at present due to improved measures that have been implemented but acknowledgment that further activities would reduce the risk further, with a number of new challenges in a COVID landscape. The impact should anything happen would likely result in local or national media attention, depending on the severity of the issue.

Appendix C

Risk Number	RM004				**Date of update**					06 September 2021	
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.										
Portfolio lead	Cllr. Andrew Jamieson					**Risk Owner**		Simon George			
Risk Description					**Date entered on risk register**					02 June 2019	
Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes. The council spends some £700m on contracted goods and services each year. Overall risk treatment: Tolerate											
Original			**Current**			**Tolerance Target**					
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date	
3	4	**12**	2	3	**6**	2	3	**6**	Mar-22	**Met**	

Tasks to mitigate the risk

1) By October 2019 implement a proactive system to identify early signs of potential supplier financial failure and respond appropriately.
Next steps:
- Develop robust process to respond to CreditSafe alerts

2) Continue to report the pipeline of expiring contracts to Corporate Board every six months. Continue to discuss the pipeline of expiring contracts with CES DMT every quarter.
Next steps:
- Start to discuss the pipeline of expiring contracts with other departmental management teams or individual senior managers

3) Through the contract compliance and optimisation workstream of the Smarter Workstream priority under the Norfolk Futures programme, implement measures to ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively.
Next steps:
Implement phased plan as agreed at corporate board 3 December 2019

4) Develop a standard specification for service transition that can be used as the basis for new sourcing exercises and used to manage transitions effectively by end June 2019

5) Internal audit undertaking audits of the contract management control environment in the three service directorates.

Progress update

1) Process developed with finance to respond to CreditSafe alerts. Complete
2) Pipeline reporting frequency at Corporate Board increased to quarterly and process is in place for monthly review by Director of Procurement and Executive Director of Finance. Procurement staff review monthly and make sure plans are in place with departments. Complete
3) Contract compliance and optimisation workstream plan was approved at Corporate Board in December 2019 and phased implementation was under way, prior to COVID-19. Implementation of phased plan paused whilst efforts are focussed on the COVID-19 response.
4) Transition/handover checklist developed and in use. Complete.
5) Internal Audit have completed an audit of the senior management monitoring of significant contracts. Complete

Risk Number	RM006							**Date of update**	06 September 2021	
Risk Name	The potential risk of failure to deliver our services within the resources available for the period 2021/22 to the end of 2023/24.									
Portfolio lead	Cllr. Andrew Proctor					**Risk Owner**	Tom McCabe			
Risk Description								**Date entered on risk register**	13 June 2019	

The failure to deliver agreed savings or to deliver our services within the resources available, resulting in the risk of legal challenge and overspends, requiring the need for in year spending decisions during the life of the plan, to the detriment of local communities and vulnerable service users. Overall risk treatment: Treat

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	1	5	**5**	Mar-22	**Green**

Tasks to mitigate the risk

1) Clear robust framework, 'Together for Norfolk - Business Plan' in place which drives the delivery of the overall vision and priority outcomes. The delivery of a council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand.
2) Delivery against the strategic service and financial planning, by translating the vision and priorities into achieved, delivered targets.
3) A robust annual process to provide evidence for Members to make decisions about spending priorities.
4) Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures.
5) Sound engagement and consultation with stakeholders and the public around service delivery.
6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.

Progress update

Regular budget and performance monitoring reports to Cabinet will continue to demonstrate how the Council is delivering against the 2021/22 budgets and priorities set for each of our services.
The Council has a robust and established process, including regular reporting to Members, which is closely linked to the wider Council Strategy, in order to support the development of future year budget plans taking account of the latest available information about Government funding levels and other pressures. This process includes reviewing service budgets and taking into account financial performance and issues arising in the current financial year as detailed in the budget monitoring reports.
There is financial monitoring of in-year cost to address the impact of COVID-19 within departments, with monitoring of 2021-22 spend to be reported to Cabinet on a monthly basis and monitoring of COVID-19 spend reported to Corporate Board regularly. Financial forecasting is taking place to further understand where there are likely to be areas of greater financial challenges as a result of COVID-19 beyond 2021/22. There will be an updated MTFS position reported to Cabinet within the year, savings proposals published for consultation in October, budget setting meeting of Full Council in February 2022, and monitoring reports taken to Cabinet in 2021/22. Work is being carried out by Departmental Leadership Teams, the Recovery Group and the Business Transformation Programme on future savings required. Savings proposals will be presented again for Member review and then taken to Cabinet.

Appendix C

Risk Number	RM010							**Date of update**	06 September 2021	
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.									
Portfolio lead	Cllr. Tom Fitzpatrick						**Risk Owner**	Simon George		
Risk Description								**Date entered on risk register**	01 July 2019	
Loss of core / key ICT systems, communications or utilities for a significant period - as a result of a cyber attack, loss of power, physical failure, fire or flood,or supplier failure - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: Tolerate										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	3	**6**	1	3	**3**	1	3	**3**	Sep-21	**Met**

Tasks to mitigate the risk

1) Full power down completed periodically
2) Replace ageing Local Area Network (LAN) equipment
3) Implement Cloud-based business systems with resilient links for key areas
4) Review and Implement suitable arrangements to protect against possible cyber / ransonware attacks including;
5) Running a number of Cyber Attack exercises with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack
6) We will hold a number of Business Continuity exercises to understand and reduce the impact of risk scenarios
7) WFH has changed the critical points of infrastructure. Access to cloud services like O365 without reliance on County Hall data centres is critical to ensure service continuity.
8) Keep all software security patched and up to date and supported. Actively and regularly review all software in use at NCC and retire all out of date software that presents a risk to keeping accredited to these standards.

Progress update

Progress update
1) Full power down completed as required by Property programme plans. 2) County Hall complete we continue to roll out to remaining offices throughout the County slowed due to Covid-19 restrictions. 3) We Implement Cloud-based business systems with resilient links for key areas as they are procured, guidance is being refreshed regularly. 4) We have now completed the cyber audit actions. 5) IMT and the resilience team presented a number of scenarios selected by the business to the Directors Operational Board (Previously Silver group) to test, understand and challenge on a number of key disaster Scenario's. This was to inform the business continuity plans and highlight further improvements we can make. Resilience team are considering dates for our next Business Continuity test which is likely to be in the new year. 6) Since COVID-19 has resulted in the majority of the workforce working from home, the network has been able to cope effectively with a vastly increased number of users working remotely. 7) Security protections contained within Microsoft E5 licensing have been installed. 8) Infrastructure design is evolving to accommodate cloud services and reduce reliance on County Hall infrastructure and our dependance on Solaris will reduce when our new Oracle is delivered. All relevant teams have been migrated to Contact Centre as a Service. The score is based upon steady progress mitigating the risks and running exercises to rehearse what we do in the event of a failure.

Appendix C

Risk Number	RM013	**Date of update**	06 September 2021
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.		
Portfolio lead	Cllr. Greg Peck	**Risk Owner**	Simon George
Risk Description		**Date entered on risk register**	02 July 2019

The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incuring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2019-20. Overall risk treatment: Treat This risk is scored at a likelihood of 1 due to the strong governance in place and an impact score of 4 given the size of the controlled companies.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	**4**	1	4	**4**	1	4	**4**	Mar-22	**Met**

Tasks to mitigate the risk

1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.
The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.
The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.
2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Strategy and Governance for the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.
3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.
4) To ensure that governance procedures are being discharged appropriately to Independence Matters. The Executive Director for Finance and Commercial Services' representative attends as shareholder representative for Independence Matters.
5) Approve the Outline Business Case for Repton Property Developments Ltd.
6) Shareholder representation required from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.

Progress update

Progress update
1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register. 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned LA company. The shareholder committee meets quarterly and monitors the performance of Norse. A member of the shareholder board, the shareholder representative, also attends the Norse board. 3) The Council has reviewed its framework of controls to ensure it is meeting its Teckal requirements in terms of governance and control, and a series of actions has been agreed by the then Policy and Resources Committee. The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council’s interests are being protected. All County Council subsiduary limited company Directors have been approved in accordance with the Constitution. The new Chairman of Norse has initiated change with one Director looking after NCS and NPS, with a view to maximising returns back to NCC. A further strengthening of the Board is proposed with the appointment of two independent Non-Executive Directors with one vote each. As with Repton the appointments would be made through a transparent process of advertisement, interview and appointment. 4) The ED of F&CS directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per the Constitution. 5) The Outline Business Case for Repton Property Developments Ltd has been approved. 6) There is Shareholder representation from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.

Appendix C

Risk Number	RM022b	Date of update	06 September 2021
Risk Name	Implications of Brexit for a) external funding and b) Norfolk businesses		
Portfolio lead	Cllr. Graham Plant	Risk Owner	Tom McCabe
Risk Description		Date entered on risk register	28 August 2020

a) Departmental Risk RM14429 covers the closedown of the France (Channel) England INTERREG programme, managed by NCC. In terms of future external funding, we need to make a compelling case to Government for investment in Norfolk from the UK Shared Prosperity Fund, which replaces EU funding. b) Now we have left the EU, we need to understand the implications for Norfolk businesses of the Territorial Cooperation Agreement and work with partners to support Norfolk businesses to trade.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	3	3	**9**	2	3	**6**	Mar-22	**Amber**

Tasks to mitigate the risk

a) Development of Norfolk Investment Framework to target the UK Shared Prosperity Fund (replacement for EU funding).

b) Focussed support for business, in conjunction with LEP and Chamber of Commerce.

Progress update

a) Proposal being developed to produce a Norfolk Investment Framework, to draw down the Shared Prosperity Fund - projects would be commissioned against the Framework priorities.

b) LEP Resilience Manager collates intelligence for Government on issues affecting business. Signposting to support available from Government, Chamber and Growth Hub on NCC and partner websites. CBI scorecard commissioned on 'export intensity' in Norfolk and Suffolk, to help plan support for businesses to export (Government Plan for Growth priority)

Risk Number	RM023						**Date of update**		06 September 2021	
Risk Name	Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services.									
Portfolio lead	Cllr. Bill Borrett					**Risk Owner**	James Bullion			
Risk Description							**Date entered on risk register**		18 August 2017	

Whilst acknowledging the pressures on adult social services, and providing some one-off additional funding, the Government has yet to set out a direction of travel for long-term funding. At the same time, the pressures of demography and complexity of need continue to increase. This makes effective strategic planning highly challenging and there is a risk that short-term reductions in support services have to be made to keep within budget; these changes are likely to be counter to the long-term Promoting Independence strategy. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	**25**	5	5	**25**	2	4	**8**	Mar-22	**Amber**

Tasks to mitigate the risk

1) Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future.
2) As part of the strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care.
3) Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system.
4) Judicious use of one-off winter and other funding, as announced by Government, including accessing Discharge to Assess funding and other Covid-related funds.
5) Close tracking of government policies, demography trends and forecasts.
6) Influencing and shaping the development and governance of the new Integrated Care System to ensure a strong focus on social care

Progress update

1) Detailed work to understand the financial and service impact of COVID for the next financial year and for medium term. Main themes for transformation being reviewed, and priorities for department being shaped. Overall strategy remains sound, but further work to identify the highest priority transformation areas and to track the interdependencies of programmes across the department..
2) Market shaping and development - strengthened working relationships; significant financial support for the market, now requires on-going work in partnership with care sector to look at future shape and sustainability.
3a) Refreshed preventions strategy required, building on the additional understanding and ways of working experienced throughout the pandemic.
3b) Workforce – continues to be hugely challenging within Adult Social Services and in the wider care market. On-going recruitment campaign to sustain levels of front line social workers and

Progress update
occupational therapy staff. Joint European funded programme with Suffolk to support workforce in the wider care market 3c) Better Care Fund targeted towards supporting people to stay independent, promoting and enabling closer integration and collaboration across health and social care. Better Care Fund currently under review to reflect closer joint aims and objectives between health and social care 4) Close joint working with NHS, through the STP and interim Integrated Care System, to shape and influence future integration of health and social care 5) White Paper on Health and Social Care integration published in February 2021. Next steps on reform of funding for social care anticipated as part of the spending review in Autumn 6) Collaboration with children’s services to develop a preparing for adult life service to strengthen transition experience for young people, and to improve service and budget planning.

Risk Number	RM024	**Date of update**	06 September 2021
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023)		
Portfolio lead	Cllr. Martin Wilby	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	14 June 2019

There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales. Cause: delays during statutory processes put timescales at risk and/or contractor prices increase project costs. Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution. Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes. Overall risk treatment: Treat, with a focus on maintaining or reducing project costs and timescales.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	4	**8**	2	4	**8**	2	3	**6**	Jan-23	**Amber**

Tasks to mitigate the risk

The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of £120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs. Mitigation measures are:
1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings.
2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes.This will include independent audits and contract/legal advice on key contract risks as necessary.
3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board.
4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored.
5) All opportunities to be explored through board meetings to reduce risk and programme duration.
6) An internal audit has been carried out to provide the Audit Committee and management with independent assurance that the controls in place, to mitigate, or minimise risks relating to pricing in stage 2 of the project to an acceptable level, are adequate and effective and operating in practice.

Overall risk treatment: Reduce, with a focus on maintaining or reducing project costs and timescales

Progress update

Progress update
The outline business case was submitted on 30 March 2017, and DfT confirmed approval of this following the autumn statement in November 2017. Progress against actions are: 1) Project board in place. Gateway review highlighted a need to assess and amend board attendance and this has been implemented. A gateway review was completed to coincide with the award of contract decision making - the findings have been reported to the project board (there were no significant concerns identified that impact project delivery). Internal audit on governance report finalised 14 August 2019 and findings were rated green. Further gateway review completed summer 2020 ahead of progressing to next stage of contract (construction). 2) Specialist cost and commercial consultants appointed and continue to review project costs. The Commercial Manager will continue to assess the project forecast on a quarterly basis, with monthly interim reporting also provided to the board. No issues highlighted to date and budget remains sufficient. A further budget review was completed following appointment of the contractor. The full business case was developed and submitted to DfT at end of September 2020 - the project is still at agreed budget. 3) An overall project programme has been developed and is owned and managed by the dedicated project manager.
Any issues are highlighted to the board as the project is delivered. The start of DCO examination was 24 September 2019, with a finish date on 24 March 2020. The approval of the DCO was confirmed on 24 September 2020 (no legal challenge). Construction started on 4 January 2021 as planned. The bridge completion and opening date remains early 2023. 4) Learning from the NDR the experience of commercial specialist support was utilised to develop contract details ahead of the formal commencement of the procurement process. Further work fed into the procurement processes (and competitive dialogue) with the bidders. The commercial team leads were in place from the start of the contract (January 2019) and continue in this role to manage contract administration. 5) The project board receives regular (monthly) updates on project risks, costs and timescales. A detailed cost review was delivered to the board ahead of the award of the contract (following the delegated authority agreed by Full Council), and took into account the contractors tender pricing and associated project risk updates. The project currently remains on budget and the programme to complete the works and open the scheme in early 2023 is still on track. 6) The further internal audit has been concluded and a report circulated. Findings were green with only one minor observation (already actioned).

Risk Number	RM026							**Date of update**	06 September 2021	
Risk Name	Legal challenge to procurement exercise									
Portfolio lead	Cllr. Andrew Jamieson					**Risk Owner**	Simon George			
Risk Description								**Date entered on risk register**	04 June 2019	
That alleged breach of procurement law may result in a court challenge to a procurement exercise that could lead to delay, legal costs, loss of savings, reputational damage and potentially significant compensation Overall risk treatment: Treat										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	1	5	**5**	Dec-21	**Green**

Tasks to mitigate the risk

Review processes and practice in light of recent caselaw, in particular Amey Highways Ltd v West Sussex County Council [2019] EWHC 1291 (TCC) and Lancashire Care NHS Foundation Trust & Anor v Lancashire County Council [2018] EWHC 200 (TCC).
1) At team meeting w/c 10 June 2019, remind procurement staff of need to escalate any proposal to run a procurement exercise in an unreasonably short timescale
2) Take pipeline to corporate board every six months and to directorate management teams quarterly to minimise risk of rushed procurement exercises.
3) Seek corporate board sign-off for new approach with consistently adequate timelines,fewer evaluators and greater control over choice of evaluator
4) Review scale of procurement exercises, avoid unnecessarily large exercises that increase risk and complexity and the scale of any damages claim.
5) Make incremental change to instructions to evaluators and approach to scoring and documenting rationale, and test on tender NCCT41801 in w/c 3 June 2019
6) Review standard scoring grid and test ‘offline’ on tender NCCT41830 w/c 10 June 2019
7) Review template provisional award letter w/c 17 June
8) Develop standard report to decision-maker w/c 17 June
9) Make more significant changes to instructions to evaluators and pilot new approach on a future tender.
10) Pilot new scoring grid in a future tender
11) Institute formal annual review of sourcing processes in light of developments in case law. Review each December; add to senior staff objectives.

Additional tasks identified February 2020:
12) Update HotDocs to include definitive versions of new templates - by 31 March 2020
13) Formal sign-off of updated process by Nplaw- by 31 March 2020
14) Further formal training for procurement officers - by 30 April 2020

Progress update

Progress update
1) Reminder given at team meeting - complete 2) Pipeline report frequency now quarterly. Pipeline being discussed with EDs or senior commissioners before each board - complete 3) Corporate board has signed off the new approach - complete 4) Ongoing as need to consider each procurement on a case by case basis. 5) Evaluator guidance was updated immediately. More significant changes have also now been implemented - see 9. Complete. 6) Scoring grid was updated as planned. Complete. 7) Template provisional award letter has been reviewed and updated. Complete 8) Existing reports have been reviewed and new report is being developed. Complete. 9) Evaluator guidance updated and in use as standard. Feedback from evaluators is positive. A new mechanism for capturing feedback on tenders is now in use after extensive piloting. 10) Scoring grid has now been updated and is in use as standard. - Complete 11) Added to senior staff objectives. Reviewed January 2020; no new issues identified beyond those in this risk 26 12) HotDocs templates have been updated.Complete. 14) All procurement staff in Sourcing have been trained in the new process and are adherring to it. Complete. Additional task 13 was paused in the wake of managing the COVID-19 response. However, the Government's Procurement Green Paper is proposing a number of changes to the Public Contract Regulations, which would affect the process. Any changes are likely to implemented in late 2021 and therefore this task will be put on hold until the impact on the process is understood.

Appendix C

Risk Number	RM027					**Date of update**				06 September 2021		
Risk Name	Risk of failure of new Human Resources and Finance system implementation (myOracle)											
Portfolio lead	Cllr. Tom FitzPatrick					**Risk Owner**		Simon George				
Risk Description						**Date entered on risk register**				16 August 2019		
Risk that there is a significant impact to HR and Finance services through potential lack of delivery of the new HR & finance system. Overall risk treatment: Treat												
Original			**Current**			**Tolerance Target**						
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date		
2	5	**10**	2	5	**10**	2	2	**4**	Sep-21	**Green**		

Tasks to mitigate the risk

1) Strong subject expert engagement in the system configuration to ensure that myOracle meets the needs of the organisation
2) Rigorous testing of the system and data validation prior to go-live.
3) Strong business change plans and establishment of a wide network of business representatives to ensure that the business is ready for myOracle and that there is good adoption of the system.
4) Robust governance through operational boards and Programme Steering Committee and sponsorship by Exec Director Finance and Commercial Services. Regular review of risks and escalation where necessary and management of contractual milestones within the steering committee. Sign off on contractual changes by the Cabinet Member and Leader where required.
5) Member oversight of the programme through Corporate Select Committee.

Progress update

1)The myOracle programme is currently on track and in the implementation phase. We are working with subject matter experts on the final configuration and systems integration testing has commenced.
2)Ensuring continuity of business over the transition to the new system will be critical and is being managed by Systems Integration Testing taking place in June and Validation testing taking place in August. In addition to this there will be a 3-month parallel pay run prior to go-live to ensure that the new system is ready to take over the pay runs.
3)We are working with Socitm Advisory as our business change partner on the programme. Socitm bring significant local authority expertise and experience in adopting Oracle cloud and supporting business adoption. We have established a myOracle Business Readiness Implementation Group (BRIG) with senior representation from across NCC and are working with them to design the communications, training and readiness plans to take us through go-live and embedding the system. The myOracle intranet site was launched on 1 June and we also have over 150 myOracle Champions from departments across the authority who we will work with to provide communications and support to their departments over the coming months.
4)There is on-going visibility of the plans via Programme Board and Programme Steering Committee. The award of integration services for Enterprise Performance Management module (EPM) was approved by the Leader and Cabinet Member for Innovation, Transformation and Performance in May 2021 and detailed plans are being developed for a November go-live of this module, which will replace Budget Manager.
5)Regular reports have been provided to Corporate Select Committee and the next report will go to the 12th July Committee meeting.

Appendix C

Risk Number	RM029	**Date of update**	06 September 2021
Risk Name	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Sarah Shirtcliff
Risk Description		**Date entered on risk register**	29 July 2019

There is a risk that a range of critical new/future skills are not available within NCC in the medium to longer term. The lack of these skills will create problems for, or reduce the effectiveness of service delivery. An inability or failure to consider/identify these until they are needed will not allow sufficient time to develop or recruit these skills. This is exacerbated by: 1.The demographics of the workforce (ageing) 2.The need for changing skills and behaviours in order to implement new ways of working including specialist professional and technical skills (in particular IT, engineering, change & transformation; analytical; professional best practice etc) associated with the introduction or requirement to undertake new activities and operate or use new technology or systems - the lack of which reduces the effective operation of NCC . 3.NCC's new delivery model, including greater reliance on other employers/sectors to deliver services on our behalf 4.Significant changes in social trends and attitudes, such as the use of new technology and attitudes to the public sector, which may impact upon our 'employer brand' and therefore recruitment and retention 5.Skills shortages in key areas including social work and teaching 6.Improvements to the UK and local economy which may impact upon the Council's ability to recruit and retain staff. 7.Government policy (for example exit payment proposals) and changes to the Council's redundancy compensation policy, which could impact upon retention, particularly of those at more senior levels and/or older workers. 8. Brexit uncertainty impacting in some sectors 9. Uncertainty of covid impact which could increase pool of candidates and simultaneously increase current colleagues' possibilities for new jobs in other locations Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	4	5	**20**	2	5	**10**	Mar-22	**Amber**

Tasks to mitigate the risk

•Identification of what new critical skills are required in services – using new workforce planning process and toolkit. As each directorate makes their changes to make savings / manage demand.
• Identification of pathways to enable staff to learn, develop and qualify into shortage areas – As each directorate makes their changes to make savings / manage demand
Creation of career families and professional communities, providing visible and clear career paths for colleagues.
Adding a strengths based approach to performance development conversations and development plans - help people to know what their strengths are and the range of jobs where they could use those strengths
Recruit for strengths not just qualifications and skills and experience
• Explore further integration with other organisations to fill the gaps in our workforce - ongoing
• Develop talent pipelines working with schools, colleges and universities
• Undertake market rate exercises as appropriate and review employment packages
• Explore / develop the use of apprenticeships and early career schemes; this will help grow talent and act as a retention tool
• Work with 14 – 19 providers and Higher Education providers to ensure that the GCSE, A level and Degree subjects meets the needs of future workforce requirements

Progress update
1. Working with education providers to ensure subjects meet future workforce requirements – no further update 2.Work has begun to make best use of the ‘skills’ facility in the new Oracle system. It will take time to understand how best to use the functionality but it is planned to help with finding people within NCC with skills not usually associated with their role, as well as providing easy reporting on professional registrations. This functionality is dependent on completion of career families work which is currently in pilot stage, and is therefore a longer-term plan. 3. Work on how to use the full Talent module in Oracle will commence during optimisation year post November 2021 With focus on how to use functionality for Performance Development Conversations in April 2022 4.An email survey relating to digital skills has been created and piloted, enabling individuals to get instant access to information and learning resources relating to their own particular digital skills competence. This will be rolled out during 2021. Soft launch underway. Draft mandatory training policy has been socialised with DMTs and is ready to be signed off by the NDA board No further update 5.NCC careers website design is underway 6.There is an additional task relating to skills to identify the impact of COVID-19 on the availability of and demand for skills in NCC and Norfolk – this is beyond the remit of this risk but is related and therefore captured here. Current likelihood score is at 4 and the prospects of meeting target score is at amber in light of challenges for front line workers and early sight of survey reporting workforce pressures.

Risk Number		RM030							**Date of update**				06 September 2021
Risk Name		Non-realisation of Children's Services Transformation change and expected benefits											
Portfolio lead		Cllr. John Fisher					**Risk Owner**		Sara Tough				
Risk Description							**Date entered on risk register**						08 August 2019

There is a risk that Children's Services do not experience the expected benefits from the transformation programme. Outcomes for children and their families are not improved, need is not met earlier and the increasing demand for specialist support and intervention is not managed. Statutory duties will not be fully met and the financial position of the department will be unsustainable over time. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	**20**	3	5	**15**	1	5	**5**	Mar-23	**Amber**

Tasks to mitigate the risk

1) A demand management and prevention strategy and associated business cases have been completed and a 5 year transformation programme has been established covering social care and education
2) Significant investment has been provided to delivery transformation including £12-15 million for demand management and prevention in social care and £120m for capital investment in Specialist Resource Bases and Specialist Schools
3) A single senior transformation lead, operational business leads and a transformation team have been appointed / aligned to direct, oversee and manage the change
4) Scrutiny structures are in place through the Norfolk Futures governance processes to track and monitor the trajectories of the programme benefits, risks and issues
5) Services from corporate departments are aligned to provide support to transformation change e.g. HR, Comms, IT, Finance etc
6) Interdependencies with other enabling transformation programmes e.g. smarter working will be aligned to help maximise realisation of benefits.

Progress update

Scoring rationale - Risk impact relates to outcomes for children and families not being met, a key county council objective and financial loss of benefits over £3m therefore scored 5. Risk likelihood has reduced from "probable" prior to programme being initiated to "possible" as the transformation programme is seeing initial success after first 24 months of initial 5 year programme, therefore scored 3.

Aug 2021 update:

- The investment in transformation has proved successful during the last 24 months- have met existing targets for specific schemes albeit in the context of overall dept overspends
- A balanced budget outturn position for 2020/21 was acheived, including a contribution to a Children's Services Business Risk Resilience reserve due to one-off Covid-related underspends
- Overall programme has broken even and delivering net cash benefits – growing in the coming

Progress update

years.

- Core indicator of number of Children in Care is broadly stable
- Following first COVID lockdown, resulted in a 6-month delay to existing schemes – so potential shortfall on planned savings as well as delivering new targets are built into forecast for 2021/22
- Still working with considerable uncertainty in terms of demand levels and other factors so will need to keep all modelling under-review. We are seeing increasing pressure for placements for CYP with complex needs
- Transformation programme is shifting focus more to delivering system-wide early help and prevention and responding to the enduring impacts of the pandemic
- Focus on COVID response has reduced, main focuses are balancing transformation with a focus on Ofsted – delivering SEN Written Statement of Action, continuing our social care practice programme and readiness for 2-week social care inspection

Appendix C

Risk Number		RM031						**Date of update**		06 September 2021
Risk Name		NCC Funded Children's Services Overspend								
Portfolio lead		Cllr. John Fisher				**Risk Owner**		Sara Tough		
Risk Description						**Date entered on risk register**				01 September 2019

There is a risk that the NCC Funded Children's Services budget results in a significant overspend that will need to be funded from other parts of Norfolk County Council

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	**25**	4	5	**20**	3	5	**15**	Mar-22	**Amber**

Tasks to mitigate the risk

Improved monitoring systems identified and revised CSLT tier 2, 3 & 4 structure proposed.
Transformation programme that is targeting improvement to operating model, ways of working, and placement & sufficiency to ensure that intervention is happening at the right time, with the right children and families supported, with the right types of support, intervention & placements. This will result in improved value for money through ensuring that money is spent in the right places, at the right times with the investment in children and families resulting in lower, long-term costs. In turn, this will enable the most expensive areas of NCC funded spend (placement costs and staffing costs) to be well controlled and to remain within budget. Cohorts will be regularly analysed to ensure that all are targeted appropriately.
The Functioning Family Therapy service has been launched. Family Group Conferencing is being reintroduced.
Recognition of underlying budget pressures within recent NCC budgets and within the MTFS, including for front-line placement and support costs (children looked after, children with disabilities and care leavers), operational staffing, and home to school transport for children with SEND.

Progress update

Scoring rationale - Risk impact relates to financial impact of over £3m, therefore scored 5. Risk likelihood has reduced from "almost certain" to probable, due to department currently projecting a balanced budget outturn position for 2020/21, but balanced against considerable financial pressures for 2021/22 and uncertainties due to COVID 19. Risk "Target date" updated to the end of the next financial year

Aug 2021 update:

Improved monitoring systems in place and becoming embedded: Assistant Director financial monitoring meeitngs, LAC tracker, Permanancy Planning Meetings, DCS Quarterly Performance meetings, weekly "Time for Outstanding Outcomes" Meetings and Transformation and Benefits Realisation Board chaired by Cabinet Member CS and attended by Members and CSLT.

Multiple Transformation projects under-way and delivered, for example the new Social Care delivery model, Fostering Recruitment Transformation and use of an enhanced fostering model have been delivered. Our remodelled LAC and LC Service went live on schedule in April 2021 as well as our

Progress update

Targeted Youth Support Service in February 2021. Norfolk has been successful in being awarded DfE funding to introduce the No Wrong Door model in partnership N. Yorks, which will be called New Roads. This is a proven model at working with adolescents differently improving outcomes and reducing costs. This successfully went live in June 2021.

Children Looked After numbers have now been in steady sustained decline for a since January 2019, which has resulted in reduced overall placement costs. The rate of reduction has slowed during COVID, and is broadly stable. Where numbers have reduced, overall unit costs have not decreased. We are currently seeing increasing pressure for placements for CYP with complex needs. A number of existing transformation projects are in train to support these young people more effectively and reduce unit costs over the medium term.

Over the course of this year and beyond a core focus of our transformation will be to reshape the system of preventative and early help services in Norfolk, further reducing demand for specialist services.

Risk Number	RM032a			**Date of update**					06 September 2021	
Risk Name	Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)									
Portfolio lead	Cllr. Andrew Proctor					**Risk Owner**	Tom McCabe			
Risk Description				**Date entered on risk register**					27 February 2020	
There is a risk of disruption to service delivery if there are widespread cases of COVID-19 in Norfolk affecting the health, safety and wellbeing of Norfolk County Council and contracted partner employees. This could impact on Norfolk County Council financially and reputationally. Cause: Not effectively containing COVID-19. Event: Widespread positive cases of COVID-19 across Norfolk, affecting NCC staff, partners, and service users. Effect: There are potential effects on staff, partner organisations, and service user's health, safety and wellbeing if there is widespread exposure to COVID-19 within Norfolk. NB: Options are currently being developed for the re-scoping of this risk, with a refreshed risk to be drafted. This will be carried out in conjunction with the Resilience Policy and Framework refresh. Overall risk treatment: Treat										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	4	4	**16**	3	2	**6**	Sep-21	**Green**
Tasks to mitigate the risk										
1) Coordination of communications to make staff, service users, and contracted third parties aware of the latest guidance from Public Health England to help to contain cases of COVID-19, provide reassurance of the Council's response to COVID-19, contribute to the support structure, and demonstrate leadership. Action owner: James Dunne 2) Ensuring staff continue to be provided with information on safe working, particularly for those working in the community. To continue to ensure that measures to support mental health are available. Action owner: Derryth Wright 3) Modelling to be carried out to give best estimates on the prevalence of COVID-19 in Norfolk. Action Owner: Tim Winters 4) Adaptation of Business Continuity arrangements to meet service demands. Business Continuity Plan owners will need to review BCP's with their management teams to ensure that they reflect changes since COVID-19 which could affect current plans around such events as a loss of ICT, loss of a key system, shortage of key personnel, recognising other current priorities of services. Action Owner: Heads of Service 5) Assessment of financial impact. Action Owner: Harvey Bullen 6) Continued monitoring of risk mitigation progress for recovery risks. Action Owner: Programme Board and Risk Management Officer 7) Identifying nuanced implications of pupils back at school and working to ensure that all aspects of this are managed. Action Owner: Chris Snudden 8) To ensure that children with disabilities (CWD) and their families are able to access short breaks to prevent family breakdown or potential harm to vulnerable children.										
Progress update										

Progress update

1) Communications continue to go out to all staff advising on how to seek further guidance issued by Public Health England. External communications to third parties are reviewed to ensure that external communications as well as internal communications are consistent. Communications are providing reassurance of the Council's response to COVID-19, contributing to the support structure, and demonstrating leadership. Members are receiving a Members Briefing document. In line with cases rising nationally and a subsequent second national lockdown, communications have been launched to further help to stop the spread of COVID-19 in Norfolk, encouraging people to stay at home as much as possible to protect ourselves, protect others and protect Norfolk.
2) NCC approach from 19th July (national roadmap stage 4) has been agreed by Exec Directors and Directors Ops groups. A cautious approach will continue with office-based staff continue to work at home wherever possible and public facing services only opening up where necessary for business, financial, education, wellbeing and safeguarding reasons. Risk assessments for these services will be reviewed with core requirements of ventilation, cleaning, personal hygiene and face coverings remaining. A respectful approach to distancing will continue where possible. All staff continue to receive guidance on safe working that follow this approach, including the use of personal protective equipment provided for staff delivering face to face services. The Health and Safety team continue to issue regular communications and provide wellbeing support to ensure people have access to any mental health support they may need including Norfolk Support Line, Mental Health First Aid Champions, wellbeing officers, and online e-Learning on personal resilience, all of which are available to staff. Support channels continue to be widely communicated to staff. This is important to help to mitigate the risk of staff feeling isolated from prolonged home working or from the impacts of continuing to work under the pressure of the pandemic. The employee survey and team based wellbeing risk assessments provides greater insight to the wellbeing of the workforce during COVID-19. The surveys are showing an increased level of pressure being felt by staff in some teams, strategic discussions about how these can be managed and incoprorated into action planning are taking place. The provision of additional well-being support has been launched through Time to Recover, an organisational wellbeing approach that draws together the organisational support available and provides additional support in 4 key areas: Time to Recognise, Time to Breathe, Time to Support and Time to Grow. This includes group sessions led by a counsellor and provision of a day of appreciation to enable staff to take a day of wellbeing for themselves without needing to use their leave to do so.
3) Modelling has been carried out to provide further understanding of the numbers of expected cases in Norfolk. We have also modelled to align numbers of resources to how many we think we need e.g. for social care discharges, community food distribution, and projected mortality rates. The COVID-19 epidemic curve forecasts produced at a national and regional level for mortality, hospital admissions and infection prevalence are being applied to our local population as we have done previously. This gives us scenarios around which to estimate system capacity required for testing, hospital admissions, hospital discharges and mortality. The Head of Public Health Information is reviewing the implications for Norfolk of the potential national scenarios as and when they are published.

Progress update

4) Service delivery is being modified to adapt to the everchanging demands on services, including through online channels for those services where it is appropriate to do so. Significant work on winter planning has been carried out, including putting in place contingency plans with key providers. In relation to care homes, the Health Protection Care Provider delivery group continues to support collaboration between NCC and Norfolk & Waveney CCG and has been developed to both prevent new outbreaks in care homes and support those currently experiencing an outbreak. The Care Provider Incident Room (managed by N&W CCG) is the single point of contact for care homes to access support and advice and to report outbreaks. The Outbreak Management Team (managed by NCC) includes a Multi-disciplinary team with the ASSD Quality team working with PH consultants to manage outbreaks and to offer wrap around support to care homes. Enhanced arrangements continue to be in place for governance & oversight, infection control, testing, PPE & clinical equipment, workforce support and financial support. Business Continuity Plans across the Council continue to be reviewed to ensure they incorporate changes to service delivery. Consideration is being given to looking at how to gauge any potential capacity issues. Our critical services list is being reviewed, so we are clear about where we need to put our efforts in the event of a reduction in capacity. Key areas have recruited additional resource, including Public Health and Resilience. We continue to work as part of the Norfolk Resilience Forum (NRF), so that capacity across all agencies can be assessed (this is reviewed regularly as part of the NRF dashboard). A separate risk (RM14447) is being managed at departmental level (CES) on concurrent major disruptions to business.
5) There is financial monitoring of in-year cost to address the impact of COVID-19 within departments, with monitoring of 2020-21 spend reported to Cabinet on a monthly basis. Financial forecasting is taking place to further understand where there are likely to be areas of greater financial challenges as a result of COVID-19 beyond 2020-21. The Strategic and Financial Planning report was taken to Cabinet in October highlighting the latest assessment of significant areas of risk and uncertainty around emerging budget pressures for the 2021-22 Budget and Medium Term Financial Strategy. This paper also asked Members to consider and agree proposed savings. Public consultation will be undertaken on the 2021-22 Budget and saving proposals ahead of the budget setting meeting of Full Council in February 2021. The October paper also proposed next steps in the Budget planning process for 2021-22, including the actions required to develop further saving proposals in light of the significant uncertainty about the overall financial position. Monitoring reports will be taken to Cabinet in 2021-22.
6) Ongoing monitoring of risk mitigation progress on a weekly review through Recovery Group, with support from the Risk Management Officer.
7) Staff with children continue to show great flexibility around family needs. The Health and Safety team are working with Children's Services (CS) on the general monitoring programme, with Children's Services identifying which schools require additional support. Health and Safety are providing feedback to CS with common themes needing to be addressed.
8) CWD short breaks is one of the prioritised areas under Theme G, with additional support provided in response to growing evidence of fatigue and strain amongst families.

NB: Options are currently being developed for the re-scoping of this risk, with a refreshed risk to be drafted. This will be carried out in conjunction with the Resilience Policy and Framework refresh.

Risk Number	RM033	**Date of update**	06 September 2021
Risk Name	Failure to receive the necessary funding or statutory approvals to enable the Norwich Western Link (NWL) project (at £198m) to be delivered to the agreed timescales (target opening by late 2025).		
Portfolio lead	Cllr. Martin Wilby	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	21 July 2021

There is a risk that the NWL project could fail to receive funding approvals from the Department for Transport (DfT), and/or statutory approvals necessary within the necessary timescales to achieve the Orders to construct the project (related to planning consent, land acquisition, highway orders). Cause: Objection to the project (particularly related to environmental impacts) that results in either DfT or Secretary of State failing to provide the necessary approvals for the funding/Orders. Event: The scale of the project and the funding requirement from DfT (at 85%) is such that without their funding contribution, it will not be possible to deliver the project. Without the necessary Orders in place, it will not be possible to deliver the project. Effect: The benefits that the project would bring in terms of traffic relief, accommodating growth in housing and employment, economic recovery and journey time savings would not be achieved. If ultimately the project does not get constructed there is the possibility that any funding already provided by DfT would need to be repaid and that the capital expenditure up to that stage could need to be repaid from revenue funds (as there would be no capital asset to justify the use of capital funding).

Risk Treatment: Treat

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	2	**4**	Sep-23	**Amber**

Tasks to mitigate the risk

1. Work closely with DfT to resolve any queries related to the OBC approval.
2. Ensure programme dates for statutory approvals are achieved and submission details are legally checked.
3. Develop strong team resource to ensure well developed submissions for statutory processes (including public inquiry) are provided.
4. Provide regular updates to the project board to ensure any issues related to programme, cost and risk are reported.
5. Work with Finance business partner to ensure contingency planning for costs is in place.

Progress update

1. OBC submitted to DfT for approval at end of June 2021.
2. Programme being reviewed to ensure realistic timescales for submissions are in place (to be agreed by the project board).
3. Resource review in progress to ensure the team structure is suited to the next phases of the project.
4. Project board meetings in place and risk, programme, cost regularly reported.
5. Ongoing discussions with Finance to ensure contingency planning in place.

Scrutiny Options for Managing Corporate Risks

Reflecting good risk management practice, there are some helpful prompts that can help scrutinise risk, and guide future actions. These are set out below.

Suggested prompts for risk management improvement discussion

In reviewing the Council's corporate risks there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. What progress with risk mitigation is predicted?
2. How can progress with risk mitigation be improved?
3. When will progress be back on track?
4. What can we learn for the future?

In doing so, committee members are asked to consider the actions that have been identified by the risk owner and reviewer.

Risk Management improvement – potential actions

A standard list of suggested actions have been developed. This provides members with options for next steps where reported risk management scores or progress require follow-up and additional work.
All actions, whether from this list or not, will be followed up and reported back to the committee.

Potential follow-up actions

	Action	Description
1	Approve actions	Approve recommended actions identified in the exception reporting and set a date for reporting back to the committee
2	Identify alternative/additional actions	Identify alternative/additional actions to those recommended in the exception reporting and set a date for reporting back to the committee
3	Refer to Departmental Management Team (DMT)	DMT to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to the committee
4	Refer to committee task and finish group	Member-led task and finish group to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to committee
5	Refer to Corporate Board	Identify key actions for risk management improvement and refer to Corporate Board for action
6	Refer to Cabinet	Identify key actions for risk management improvement that have whole Council 'Corporate risk' implications and refer them to Cabinet for action.

Appendix E

Background Information

A Corporate Risk is one that:

- requires strong management at a corporate level thus the Corporate Board should direct any action to be taken
- requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

In responding to the corporate risks identified, there are four risk treatments that should be considered;

<u>Treat</u>
The risk should be treated through active management of the risk to reduce wherever the implications of the risk materialising are negative.

<u>Tolerate</u>
The risk should be acknowledged with the recognition that some or all of the mitigating actions are out of the immediate control of the Council.

<u>Transfer</u>
The risk should be transferred to a third party (usually via an insurance policy).

<u>Terminate</u>
The root cause of the risk should be terminated i.e. the action(s) causing the risk should be stopped.

Report to Audit Committee

Item No 6

Report title: Norfolk County Council Audit Plan Addendum, Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2021

Date of meeting: 14 October 2021

Responsible Cabinet Member: N/A

Responsible Director: Simon George (executive Director of Finance and Commercial Services

Is this a key decision? Yes

Executive Summary/Introduction from Cabinet Member

This report introduces the External Auditor's (Ernst & Young) Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2021.

The report enables the Audit Committee to formally consider matters raised by the Council's external auditors.

Actions Required
Audit Committee is asked to
- Consider the addendum to the audit plan issued by Ernst & Young following their Value for Money risk assessment
- Consider and agree matters raised in the Ernst & Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports before Ernst & Young issue their audit opinions.

1. Background and Purpose

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

2. Proposals

2.1 This proposal enables the Audit Committee to acknowledge the addendum to the audit plan for 2020-21 and to formally consider matters raised in the Ernst & Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports, before Ernst & Young issue their audit opinions.

3. Impact of the Proposal

3.1 Once the Statement of Accounts are approved, taking into account any matters raised by the External Auditors, it is anticipated that the Council's external auditors, Ernst & Young, will be in a position to complete their audit. Following this the Council will then publish the accounts in their final form.

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4. Evidence and Reasons for Decision

4.1 Appendix A1 to this report sets out the Ernst & Young Audit Plan Addendum for the Value for Money risk assessment

4.2 Appendix A2 to this report **(to follow)** sets out the Ernst & Young Norfolk County Council Audit Results Report – Audit Committee Summary for the year ended 31 March 2021

4.3 Appendix A3 to this report sets out the Ernst & Young Norfolk Pension Fund Audit Results Report – Audit Committee Summary for the year ended 31 March 2021.

5. Alternative Options

5.1 In order to meet the Council's statutory obligations relating to the publication of accounts, no viable alternative options have been identified to the recommendations in this report.

6. Financial Implications

6.1 The auditor's Audit Result Reports are based on work associated with the 2020-21 Annual Statements of Account for the Council and for the Norfolk Pension Fund.

6.2 The cost of the audits for both Norfolk County Council and Norfolk Pension Fund are set out in the Audit Results Reports.

7. Resource Implications

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

8. Other Implications

8.1 Legal Implications:

In order to fulfil obligations placed on chief finance officers by regulations 10 of the Accounts and Audit Regulations 2015, the Executive Director of Finance and Commercial Services must publish an approved statement of accounts.

8.2 Equality Impact Assessment (EqIA) (this must be included)

There are no equality issues arising from the Audit Results Report.

8.4 Data Protection Impact Assessments (DPIA)

There are no Data Protection issues arising from the Audit Results Report.

9. Risk Implications/Assessment

9.1 The risk of not accepting matters raised in the audit results reports is the potential to miss statutory reporting deadlines.

10. Recommendation

10.1 Recommendations are set out in the introduction to this report.

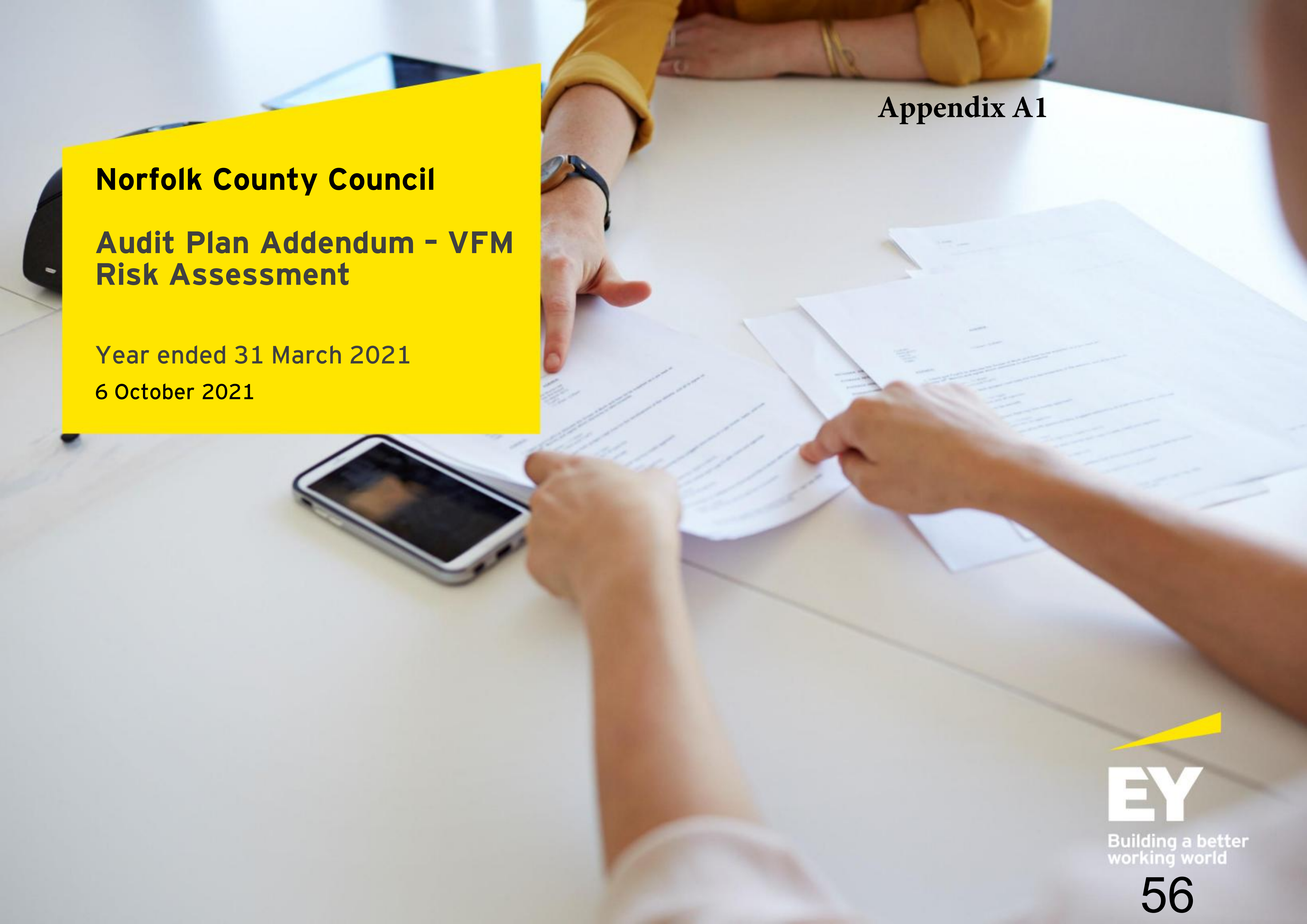
Officer Contact

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

Officer Name: Joanne Fernandez Graham
Tel No: 01603 306228
Email address: j.fernandezgraham@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.



Appendix A1

Norfolk County Council

Audit Plan Addendum – VFM Risk Assessment

Year ended 31 March 2021

6 October 2021

Building a better working world

Audit Committee
Norfolk County Council

6 October 2021

Dear Audit Committee Members

Audit Plan Addendum – Value For Money Risk Assessment

We are pleased to attach a short Audit Plan Addendum to report the outcome of our VFM risk assessment under the new NAO Code which applies for the audit of the Council's 2020/21 accounts.

The purpose of this report is to provide the Audit Committee with an update on our VFM Risk Assessment, which we flagged as requiring completion in our Provisional Audit Plan dated 30 March 2021.

You should note that there are no other changes to our planned audit approach and risk assessment that we set out in the Provisional Audit Plan dated 30 March 2021.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

01 Value for Money Risks

Value for money

Norfolk County Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

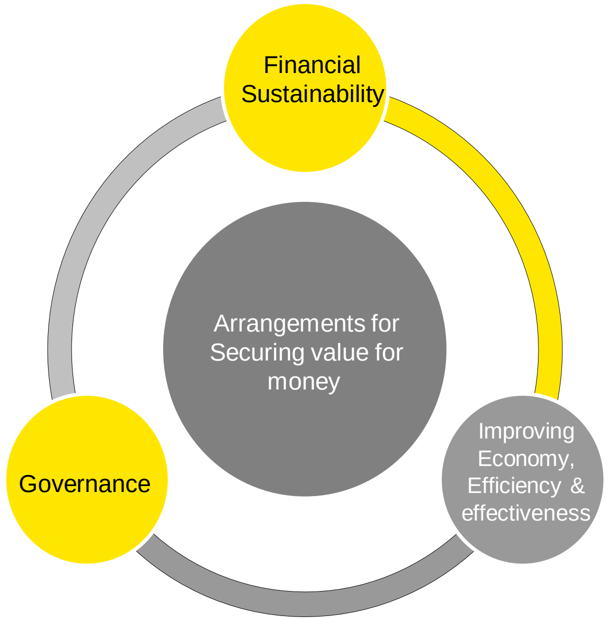
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's annual governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code, in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of Committee reports and policies the Council has in place, meetings with key officers, and the evaluation of associated documentation through our regular engagement with Council management and the finance team.

As a result of this work, we have not identified any risks of significant weaknesses in the Council's arrangements. As a result we have no risk based procedures to carry out. We will revisit the risk assessment prior to issuing the audit opinion on the 2020/21 accounts and at this stage anticipate having no matters to report on VFM.

We plan to issue the VFM commentary, as required under the new Code, in November 2021, within our Annual Auditors Report.

Appendix A3

Norfolk Pension Fund

Audit Results Report

Year ended 31 March 2021

6 October 2021

Building a better working world

6 October 2021

Audit Committee
Norfolk County Council
County Hall
Martineau Lane
Norfolk - NR1 2DH

Dear Audit Committee

2020/21 Audit Results Report – Norfolk Pension Fund

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Norfolk Pension Fund for 2020/21.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Norfolk Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit Committee and Pension Fund Committee, other members of the Pension Fund, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on the 14 October 2021.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

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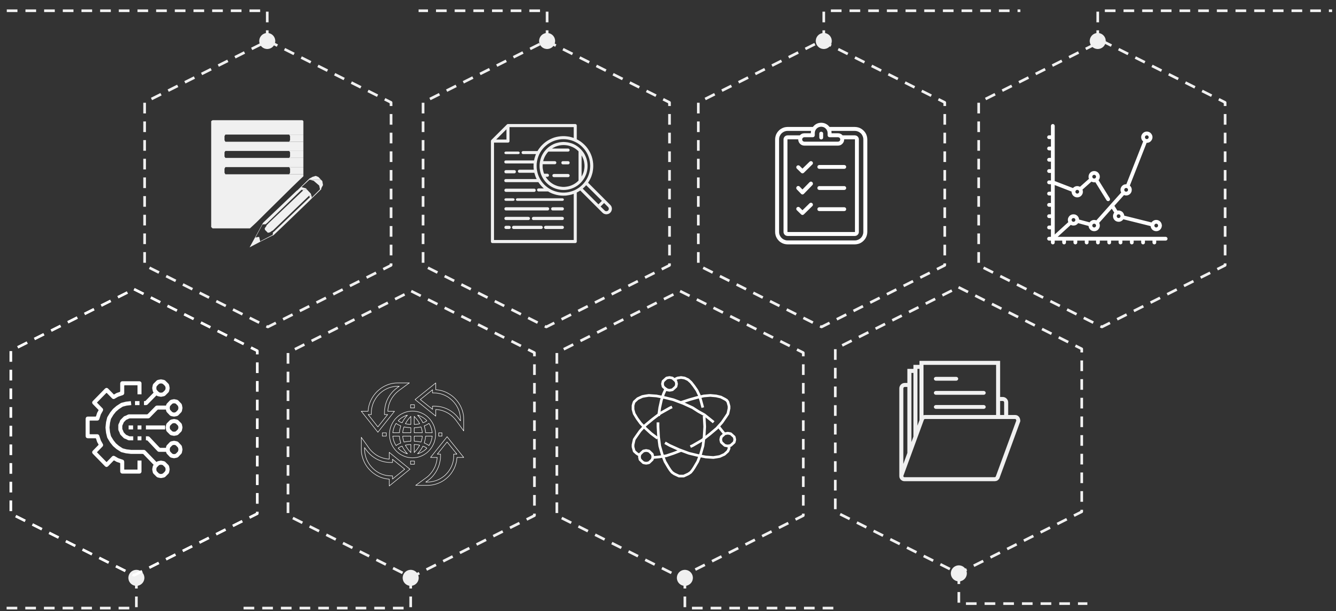
Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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

01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Plan report presented to the 30 March 2021 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £36 million. We updated our planning materiality assessment using the draft 2020/21 Pension Fund Financial Statements and have also reconsidered our risk assessment. Based on our materiality measure of net assets of the scheme, we have updated our overall materiality level to £44.8 million. This results in updated performance materiality, at 75% of overall materiality, of £33.6 million, and an updated threshold for reporting misstatements of £2.2 million.
- Changes in scope: In our provisional Audit Plan we identified valuation of complex investments (unquoted investments) as an inherent risk. Due to the complexity of the estimates used in valuing these investments and uncertainty between the audited year end of some of the funds and the pension fund we have increased this risk to significant. This is reflected in the work we have undertaken as set out in Section 02.

We have not made any other revisions to the audit risks and planned audit procedures set out within the Provisional Audit Plan.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the restrictions upon the audit team to verify original documents or re-run reports on-site from the Pension Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Executive Summary

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Completion of the procedures in relation to the IAS 26 disclosure as a result of an emerging national issue (as set out on page 12)

Closing Procedures:

- Subsequent events review;
- Agreement of the final set of financial statements;
- Receipt of signed management representation letter; and
- Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.

Subject to satisfactory completion of the following outstanding items above, we expect to issue an unqualified opinion upon the Pension Fund Financial Statements in the form which appears at Section 3.

Audit differences

There are no unadjusted audit differences.

We identified one material disclosure audit difference which has been adjusted by management. Four investments had been classified incorrectly as Level 2 and should have been classified as Level 3 within Note 16 Fair Value – Basis of Valuation. The in year adjusted resulted in a £139.7 million movement and a prior year adjustment was required which resulted in £54.4 million being reclassified from Level 2 to Level 3.

We also identified a limited number of minor audit disclosure differences in the financial statements, which have been adjustment by Management.

Control observations

During the audit, we did not identify any significant deficiencies in internal controls. We have taken a wholly substantive approach to the audit.

However, we have identified a management control deficiency due to the adjustment identified above. There appears to have been a breakdown in communication between the Fund Manager and the Pension Fund over the classification of the investments. Given the material value of the investments impacted and the significant risk attached to the Level 3 investments we consider this to be both quantitively and qualitatively material to the accounts

Executive Summary

Other reporting issues

We have no other matters to report.

Areas of audit focus

In our Provisional Audit Plan we identified a number of key areas of focus for our audit of the financial report of Norfolk Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Management Override: Misstatements due to fraud or error

- We have completed our testing and found no indications of management override of controls.

Management Override: Investment income and asset valuations - Investment Journals

- We have completed our work in this area and have no matters to report.

Valuation of complex investments (Unquoted investments)

- We have completed our work in this area and have no matters to report.

IAS 26 disclosure - Actuarial value of promised retirement benefits

- At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee, the Pension Fund Committee, or Management.

Independence

Please refer to Section 7 for our update on Independence.

02 Areas of Audit Focus

Fraud risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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

We have considered where this risk specifically manifests itself and this is in the posting of investment journals (see following slide).

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including;
    - testing of journal entries and other adjustments in the preparation of the financial statements;
    - reviewing accounting estimates for evidence of management bias; and
    - evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

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

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

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

Fraud risk

Investment income and asset valuations - Investment Journals

What is the risk?

We have considered the key areas where management has the opportunity and incentive to specifically override controls that could affect the Fund Account and the Net Asset Statement.

We have identified the main area being;

- Investment Income and Asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- Tested journals at year-end to ensure there are no unexpected or unusual postings;
- Undertook a review of reconciliations to the Fund Manager and Custodian reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we acquired directly from the Custodian or Fund Managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- For quoted Investment Income we agreed the reconciliation between Fund Managers and Custodians back to the source reports.

What are our conclusions?

Our testing has not identified any material misstatements within Investment Income or year end Investment Asset valuations.

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

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

Areas of Audit Focus

Significant Risk

Valuation of Complex Investments

(Unquoted Investments)

What is the risk?

The Fund's investments include unquoted pooled investment vehicles, such as private equity and property investments.

Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

The proportion of the fund comprising of these investment types is significant at circa 26%, and as these investments are more complex to value, we have identified the Fund's investments in Private Equity, Pooled Property and Pooled Investments as a significant risk, as even a small movement in these assumptions could have a material impact on the financial statements.

What did we do and what management judgements did we focus on?

We have updated our procedures as set out in our Audit Plan, due to the increase in risk. We confirm that we have performed the following procedures:

- Agreeing 100% of the investments to Custodian and Fund Manager reports
- Triangulating the valuation from Fund Manager reports, Custodian reports, and accounts for all investments
- Assessing the competence of Fund Managers as management experts;
- Obtaining copies of the Fund Managers and Custodian ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments; and
- For a sample of Level 3 investments, we calculated the expected year-end valuation based on the latest audited financial statements, the Pension Fund's percentage holding of that fund, and any purchases and sales in the intervening period. We also performed a predictive analytical review exercise with market indices to determine whether the movement in the market value of investments between the date of the latest audited financial statements and the 31st of March 2021 was within our expectation.
- We have evaluated the audit report in the financial statements for the relevant Funds in our sample, ensuring there are no matters arising that highlight weaknesses in the funds valuation, or any modification, qualification, emphasis of matter, or issues raised around going concern.

What are our conclusions?

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

We did identify one investment fund where the audited accounts had been qualified due to an issue which could have an impact on the value of the fund. The qualification was based on insufficient information being made available to the auditor due to an ongoing legal case. The value of the Pension Fund's investment is £39.2 million and we concluded that it was unlikely this would have a material impact on the Pension Fund. We agreed with management to include an enhanced disclosure within Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.

Areas of Audit Focus – Other Areas of audit focus

IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits

What is the risk?

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £6,893 million as at 31 March 2021.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2021.

What did we do and what management judgements did we focus on?

As set out in our Provisional Audit Plan we confirm that we have performed the following procedures:

- Assessing the competence of management experts, Hymans Robertson;
- Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26; and
- Ensuring that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

What are our conclusions?

We did not identify any issues with the competence of the actuary, Hymans Robertson. There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant. The disclosure of IAS 26 was in line with the relevant standards and the valuation provided by the Actuary.

We have been notified of an issue has arisen across all Local Government Pension Fund audits within the sector that needs to be resolved prior to us being able to fully conclude our work in this area. This is in relation to the impact of the new auditing standard on accounting estimates on planned procedures. We planned to take an audit approach to this estimate based on procedures to evaluate Management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.

Neither we, nor PWC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements.

Therefore, we have been required to modify our planned approach and undertake alternate procedures in order to gain sufficient appropriate assurance. The impact of this additional procedure may impact on our timeline for issuing the audit opinion. We will provide the Committee with a verbal update on progress at the 14 October 2021 meeting.

Areas of Audit Focus

Area of Audit Focus - Going concern

We considered the unpredictability of the current environment gave rise to a risk that the Pension Fund may not appropriately assess and disclose the key factors relating to going concern, underpinned by managements assessment, with particular reference to Covid-19 and the Pension Fund's actual year end financial position and performance.

We have received and reviewed Management's assessment of Going Concern and challenged the assessment appropriately.

Management have used the basis of their assessment for note 2 within the revised financial statements. We are satisfied, subject to some minor update amendments that may be required between now and the opinion date, that this disclosure note appropriately sets out the circumstances surrounding the financial implications.

03 Audit Report

DRAFT

Our proposed opinion on the financial statements

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

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Finance and Commercial Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Finance and Commercial Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Our proposed opinion on the financial statements

Other information

The other information comprises the information included in the ‘Statement of Accounts 2020-21’, other than the financial statements and our auditor’s report thereon. The Executive Director of Finance and Commercial Services is responsible for the other information contained within the ‘Statement of Accounts 2020-21’.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Executive Director of Finance and Commercial Services

As explained more fully in the ‘Statement of Responsibilities’ set out on page 18, the Executive Director of Finance and Commercial Services is responsible for the preparation of the Authority’s Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

DRAFT

Our proposed opinion on the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

We understood how Norfolk Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Pension Committee minutes, through the inspection of Pension Fund policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment income and investment asset valuations and management override of controls to be our fraud risks.

Our proposed opinion on the financial statements

To address our fraud risk we tested the consistency of the investment income and investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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

Use of our report

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

04 Audit Differences

Audit Differences

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

Summary of unadjusted differences

There were no uncorrected misstatements greater than £2.2 million identified during the course of our audit.

Summary of adjusted differences

Corrected misstatements
There were no corrected misstatements greater than £2.2 million identified during the course of our audit that effected the main statements of the accounts.

The Pension Fund were provided with updated information from two of their fund managers after the draft financial statements were prepared. This resulted in an uplift of £43.817 million to the investment valuations disclosed in the accounts. This is not considered an audit adjusted and these updated balances formed the basis of our testing for the effected investments.

Disclosure Items

As identified in Section 2, we identified 4 investments that had been incorrectly disclosed in Note 16 Fair Value – Basis of Valuation as Level 2 investments when they should have been disclosed as Level 3. The impact of this was to introduce a new pooled investments in the Level 3 disclosures – Pooled Debt Funds. This impacted the disclosures made in 2020/21 and 2019/20 and as such a Prior Year Adjustment has been reflected in Note 16.

Level 2 Investment valuation - overstated by £139.7 million
Level 3 Investment valuation - understated by £139.7 million

Prior year adjustment impact:

Level 2 investment valuation - overstated by £54.4 million
Level 3 investment valuation – understated by £54.4 million

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

05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Norfolk Pension Fund Annual Report, Narrative Report and Annual Governance Statement with the audited financial statements. We have reviewed the Pension Fund Annual Report, Narrative Report and the Annual Governance Statement and are satisfied that it is consistent with the financial statements. We have prepared and will issue a consistency statement to Management alongside our Audit Report.

Other powers and duties
We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest. We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

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

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

Other than those areas we have outlined in the previous section, we have nothing to report in respect of these matters.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

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

We identified a management control deficiency that led to a disclosure prior year adjustment of £54.4 million and an in year adjustment of £139.7 million between Level 2 and Level 3 investments in Note 16 - Fair Value – Basis of Valuation. Management receive information from the Fund Managers which informs the disclosure classification levels of different investments. It appears that there had been a breakdown in communication between the Pension Fund and the Fund Manager which led to the audit adjustment.

We have tested 100% of Level 2 Investments and did not identify any further classification issues. We would recommend that management undertake a review of investment classifications each year to ensure that they are being disclosed within the accounts appropriately.

07 Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

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

We confirm that we have not undertaken non-audit work.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

EY UK Transparency Report 2020 | EY UK

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Final Fee 2020/21 £	Scale Fee 2020/21 £	Final Fee 2019/20 £
Total Fee – Code work	20,866	20,866	20,866
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	40,005	-	40,005
Additional work required for Prior Year Adjustment (See Note 2)	TBC	-	
Additional Audit Fee in respect of work on behalf of Admitted Body auditors (recharged to the Pension Fund) (Note 3)	TBC	-	11,500
Total fees	**To be confirmed**	**20,866**	**81,207**

All fees exclude VAT

Note 1: For2019/20 and 2020/21 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of the Pension Fund: £20,695
- Additional work to address increase in Regulatory standards: £18,725
- Client readiness and IT support for Data Analytics: £585

This is currently with PSAA Ltd to formally determine.

Note 2: The prior year adjustment required to the accounts has resulted in additional work which is outside the scope of the scale fee. This will be quantified and shared with management before submitting to PSAA.

Note 3: We anticipate charging a minimum additional fee of £8,000 to take into account the additional work required to respond to the IAS 19 assurance requests from admitted bodies and their auditors. This year we have had additional requests from two further bodies and this additional work needs to be quantified. The Pension Fund can recharge this fee to the relevant admitted bodies.

08 Appendices

Audit approach update

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

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

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

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

Appendix B

Summary of communications

Date	Nature	Summary
Various	Meeting	The Audit Manager met with senior members of the Management team to discuss matters relevant to the planning of our audit work.
30 March 2021	Report	The Audit Partner issued the Provisional Audit Plan. Our report included confirmation of independence.
22 April 2021	Meeting	The Audit Partner attended the Audit Committee (virtually) to present our Provisional Audit Plan and discuss our audit strategy for 2020/21.
Various	Meetings	Regular calls held with management, the Partner and Audit Manager to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout June and July.
5 October 2021	Meetings	The Audit Partner and Audit Manager met with senior members of the management team to discuss the Audit Results Report (ISA260).
6 October 2021	Report	The Audit Partner issued the Audit Results Report (ISA260)
14 October 2021	Meeting	The Partner and Audit Manager met with the Audit Committee and senior members of the Management team to discuss the Audit Results Report (ISA260).

Appendix C

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan – 22 April 2021 - Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan – 22 April 2021 - Audit Committee
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 14 October 2021 – Audit Committee

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Audit Results Report – 14 October 2021 – Audit Committee
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report – 14 October 2021 – Audit Committee
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have not identified any subsequent events.

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	We have no matters to report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Provisional Audit Plan – 22 April 2021 - Audit Committee Audit Results Report – 14 October 2021 – Audit Committee

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have no matters to report.
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 14 October 2021 – Audit Committee
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – 14 October 2021 – Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – 14 October 2021 – Audit Committee
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 14 October 2021 – Audit Committee

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
IAS 26	Undertake alternate procedures in order to gain sufficient appropriate assurance utilising the work undertaken by EY Pension Consulting over the liability disclosed in the accounts.	EY
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management
Management Representation Letter	Receipt of signed management representation letter.	Management
Agreement of revised and approved set of Financial Statements	Agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Final Review Procedures	Final review of areas listed above.	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that a key disclosures on going concern remain to be finalised. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.

Appendix E – Request for a Management Representation Letter

Request for a Management Representation Letter

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Ernst & Young LLP
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Cambridge
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8 October 2021

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

Dear Simon,

Norfolk Pension Fund – 2020/21 financial year
Request for a letter of representation

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

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

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

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Norfolk Pension Fund ("the Fund") for the year ended 31 March 2021.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2020 to 31 March 2021 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

A. Financial Statements and Financial Records (See Note B)

1. That you have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. That you confirm that the Fund is a Registered Pension Scheme. You are not aware of any reason why the tax status of the scheme should change.
3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. That you have approved the financial statements.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that are free from material misstatement, whether due to fraud or error.

   You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on your system of internal controls.
6. That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. That you acknowledge that you are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

Appendix E – Request for a Management Representation Letter

Request for a Management Representation Letter

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3

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

3. That you have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. That you have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of your advisors.

5. That there have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty. That you have drawn to our attention all correspondence and notes of meetings with regulators (if applicable).

6. That you have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - Involving financial improprieties
   - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
   - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
   - Involving management, or employees who have significant roles in internal control, or others
   - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

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

2. That we have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.

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4. That you have made available to us all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date (X October 2021).

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

6. That you confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

   Where members of the management of the Fund have determined that annuity policies are not material the following statement may be added: The Scheme holds annuity policies which have not been recognised and recorded as an asset of the Scheme in the financial statements as they are not considered material in relation to the net assets. These policies have an estimated value of £xxx.

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

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

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

10. That from the date of your last management representation letter to us, through the date of this letter you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

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

3. You have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims,

Appendix E – Request for a Management Representation Letter

Request for a Management Representation Letter

both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

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

E. Subsequent Events

1. Other than described in the relevant note (Note [X]) to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the "Norfolk Pension Fund Annual Report and Accounts 2020/21".

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

G. Independence

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

H. Derivative Financial Instruments

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

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

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

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

J. Actuarial valuation

1. The latest report of the actuary [*Name*] as at [*Date*] and dated [*Date*] has been provided to us. To the best of your knowledge and belief you confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. You agree with the findings of the specialists that you have engaged to value Private Equity Investments / IAS26 actuarial present value of promised retirement benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

Valuation of Investments

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the applicable financial reporting framework (the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21).

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

3. You confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete including the effects of the COVID-19 pandemic on the valuation of investments and made in accordance with the applicable financial reporting framework.

4. You confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

IAS26 - Actuarial present value of promised retirement benefits

5. 5. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the applicable financial reporting framework (the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21).

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

7. You confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete including the effects of the COVID-19 pandemic on the valuation of investments and made in accordance with the applicable financial reporting framework.

Appendix E – Request for a Management Representation Letter

Request for a Management Representation Letter

EY
Building a better working world

8. You confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Going Concern

1. That Note 2 to the financial statements discloses all the matters of which you are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans.

N. Specific Representations

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

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator, Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (to be confirmed with you) on formal headed paper.

Yours sincerely

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

EY | Assurance | Tax | Transactions | Advisory

About EY
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ED None

ey.com

Audit Committee

Item No 7

Decision making report title: Audit Letters of Representation 2020-21

Date of meeting: 14 October 2021

Responsible Cabinet Member: N/A

Responsible Director: Simon George (Executive Director of Finance and Commercial Services)

Is this a key decision? No

Executive Summary

This report introduces the audit letters of representation of Norfolk County Council and of Norfolk Pension Fund for 2020-21.

Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations. The Council's external auditors require that the letters are signed before they can complete their audit.

Recommendations

1. To note the unadjusted audit differences set out in paragraphs 6.2 and detailed in paragraph A5 and A6 of the draft Letters of Representation attached to this report
2. To endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council and, on the basis that they may be subject to non-material amendments and clarifications resulting from further audit work prior to signature, delegate the Chairman of the Audit Committee and Executive Director of Finance and Commercial Services to sign the letters on behalf of the Council

1. Background and Purpose

1.1. This report provides details of the letters of representation in connection with the audit of the 2020-21 financial statements of Norfolk County Council and the Norfolk Pension Fund.

Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations.

The first letter covers the Norfolk County Council statement of accounts and is attached as an appendix to this report. The second letter covers the Norfolk Pension Fund only and has been endorsed by the Norfolk Pensions Committee.

1.2 The auditors require that the letters are signed by persons with specific responsibility for the financial statements, which for this Council is the Executive Director of Finance and Commercial Services, and formally acknowledged as being correct by "those charged with governance" by being signed by:

- the Chairman of the Audit Committee in the case of the Norfolk County Council letter, and by
- the Chairman of the Audit Committee and the Chairman of the Pensions Committee in respect of the Pension Fund.

1.3 The County Council has delegated responsibility for approving the Statement of Accounts and endorsing the letters of representation to the Audit Committee. The letters will be dated to coincide with the date of the audit opinion.

2. Proposals

2.1. This proposal enables the Council's external auditors, Ernst & Young, to place reliance on the Council's representations prior to completing their audits and issuing their audit opinions.

3. Impact of the Proposal

3.1. Once the letters of representation are approved and signed, it is anticipated that the Council's external auditors will be in a position to complete their audits. Following this the Council will then be able publish its accounts.

4. Evidence and Reasons for Decision

4.1. An example Letter of Representation for the Council is attached as Appendix 1. The final wording will be guided by the advice of the external auditors.

The Norfolk Pension Fund Letter of Representation is at Appendix 2.

4.2 Following a report to the Pensions Committee on 5 October 2021 "Draft Pension Fund Annual Report and Accounts", the Pensions Committee endorsed the Pension Fund Letter of Representation.

4.3 The Executive Director of Finance and Commercial Services has written the letter in accordance with audit requirements following consultation with Department Chief Officers.

5. Alternative Options

5.1. In order to meet the Council's statutory obligations, no alternative options have been identified to the recommendations in this report.

6. Financial Implications

6.1. The Letters of Representation are part of the External Audit requirements for the 2020-21 Statement of Accounts and are consistent with the Statement of Accounts introduced elsewhere on this agenda.

6.2 At the time of publishing this report there were no unadjusted audit differences to declare. The auditors are still in the process of reviewing a number of technical accounting areas (as set out in their Audit Results Report). However, as the key areas of risk have been reviewed, no further material audit adjustments are anticipated.

6.3 Further details can be found in the Audit Results Report elsewhere on the agenda.

7. Resource Implications

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

8. Other Implications

8.1. **Legal Implications :**

In order to fulfil obligations placed on chief finance officers by regulations 6 and 10 of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, the Executive Director of Finance and Commercial Services must prepare an annual governance statement, and publish an approved statement of accounts by 30 November 2021, or if later, as soon as reasonably practicable after the receipt of the auditor's report.

8.2. **Human Rights implications**

There are no human rights implications arising from the Letters of Representation

8.3. **Equality Impact Assessment (EqIA)**

There are no equality issues arising from the Letters of Representation.

8.4. **Data Protection Impact Assessments (DPIA)**

There are no data protection issues arising from the Letters of Representation

9. Risk Implications/Assessment

9.1. The risk of not approving the letters of representation is that the external audit will not be completed, and the Executive Director of Finance and Commercial Services will not be able to publish the statement of accounts as required by the Accounts and Audit Regulations 2015.

10. Recommendations

10.1. The recommendations are set out in the introduction to this report.

Officer Contact

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

Officer name: Joanne Fernandez Graham
Tel no.: 01603 306228
Email address: j.fernandezgraham@norfolk.gov.uk

If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Appendix 1

Letter of Representation (Norfolk County Council) 2020-21

Draft letter to follow from EY

Norfolk County Council

Finance Department

County Hall

Martineau Lane

Norwich

NR1 2DW

My Ref: audit letter of rep

Your Ref: .

Please ask for: Joanne Fernandez Graham

Direct Dialling Number: 01603 306228

Email: j.fernandezgraham@norfolk.gov.uk

[date]

Mr M Hodgson

Ernst & Young LLP

One Cambridge Business Park

Cambridge
CB4 0WZ

DRAFT (based on 2019-20 Letter of Representation and will be subject to minor amendments in the highlighted text)

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 2021.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the financial position of the Group and Council financial position as of 31 March 2021 and of its financial position (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

2. We acknowledge as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences are immaterial both individually and in aggregate, to the financial statements taken as a whole. There is one unadjusted audit difference in the Council's group accounts. The reason for not adjusting the difference is detailed below:

    a. Group Accounts IFRS16 lease accounting.

    Under previous rules, lessees accounted for leases as either operating leases or finance leases depending on the nature of the lease, with only finance lease assets and liabilities being recognised on the balance sheet. IFRS16 will require all leases, with very few exceptions, to be included in the balance sheet. This is likely to result in a number of vehicle and property leases currently classified as operating leases to be brought onto the balance sheet.

    On 1 April 2019, Norse Group Ltd adopted IFRS 16, in accordance with recognised accounting standards required for larger companies. This has resulted in £10.350m of operating lease liabilities being reclassified as finance leases from that date, increasing the value of both lease liabilities and Property Plant and Equipment in the Group balance sheet. These leases are reflected in the group accounts at 31 March 2021 as finance liabilities of £12.116m, matched by an increased value of fixed assets.

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

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

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

    - the adjustment is not material to the group accounts;

- although it would be possible to reverse the entries as at 31 March 2021 using data held by Norse, the equivalent accounting entries will not available from Norse as part of their accounts production work as at March 2021;
- any additional work will compromise the Council's ability to produce auditable draft accounts in advance of the 31 May 2021 deadline;
- in 2022-23 the Council's accounts and group accounts will converge as both will fully be subject to IFRS 16.

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

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

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
    a. involving financial statements;
    b. related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
    c. related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
    d. involving management, or employees who have significant roles in internal controls, or others; or
    e. in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 14 October 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.
5. We believe that the significant assumptions that we have used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

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

F. Group Audits

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

G. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and glossary of terms included in the Norfolk County Council Statement of Accounts 2020-21.
2. We confirm that the contents contained within the other information is consistent with the financial statements.

H. Going Concern

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

I. Ownership of Assets

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

J. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the usable and unusable reserves.

K. Use of the Work of a Specialist – Property, Plant and Equipment

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

L. Valuation of Property, Plant and Equipment Assets

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
2. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events.
5. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5-year rolling programme for valuations and that each asset category is not materially misstated.
6. We confirm that for assets carried at historic cost, no impairment is required.

M. Retirement Benefits

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

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

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

O. Valuation of Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events.

Yours faithfully

Simon George, Executive Director of Finance and Commercial Services

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I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 14 October 2021

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

Appendix 2

Letter of Representation (Norfolk Pension Fund) 2020-21:

Endorsed by Pensions Committee on XX October 2021

(to follow)

Report to Audit Committee

Item No 8

Report title: Annual Statement of Accounts and Annual Governance Statement 2020-21

Date of meeting: 14 October 2021

Responsible Cabinet Member: N/A

Responsible Director: Simon George (Executive Director of Finance and Commercial Services

Is this a key decision? Yes

Executive Summary

The Audit Committee are those charged with governance to approve the Council's Annual Statement of Accounts and Annual Governance Statement 2020-21. This report presents those accounts.

The following appendices are attached:
- Appendix 1: a narrative summary of the accounts and Annual Governance Statement.
  - Annex 1: Annual Governance Statement for 2020-21
  - Annex 2: 2020-21 Statement of Accounts

Once approved, it is anticipated that the Council's external auditors, Ernst and Young, will be in a position to complete their audit and the Council will publish its accounts by the end of October 2021.

Recommendations
Audit Committee is asked to:
1. agree that, following annual reviews, the systems of internal control and internal audit are considered adequate and effective;
2. consider and approve the Annual Governance Statement;
3. note the non-material audit differences set out in paragraph 6 below, with further detail in paragraph 6.6 of the Annex to this report.
4. consider and approve the Council's 2020-21 Statement of Accounts on the basis that they may be subject to non-material amendments and clarifications resulting from further audit work prior to certification by the Executive Director of Finance and Commercial Services after consultation with the Chairman and Vice-Chairman of Audit Committee.

1. Background and Purpose

1.1 This report and associated annexes present the Council's Annual Governance Statement and Annual Statement of Accounts 2020-21.

2. Proposals

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

3. Impact of the Proposal

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

4. Evidence and Reasons for Decision

4.1 The attached report (Appendix 1) contains:

- A narrative summary of the financial statements which have been subject to external audit by Ernst & Young; and
- An introduction to the proposed Annual Governance Statement 2020-21, which provides assurance that the organisation's governance framework, including the system of internal control and internal audit, is adequate and effective for the purpose of the relevant regulations.

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

5. Alternative Options

5.1 In order to meet the Council's statutory obligations relating to the publication of accounts, no viable alternative options have been identified to the recommendations in this report.

6. Financial Implications

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

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

- The Council has taken the decision to depart from the CIPFA Code and not to adjust the Group Accounts to reverse the impact of IFRS16 adoption. The information required to reverse the impact of IFRS16 in the 2020/21 accounts will not be available from Norse and as the newly recognised assets in the balance sheet are less than 0.7% it is felt the non-adjustment will not materially impact the users understanding of the accounts. From 1 April 2022 the Council's accounts and group accounts will converge as both will be subject to IFRS16.

In accordance with guidance from Central Government, the Dedicated Schools Grant reserve totally £0.03bn has been moved from useable reserves to unusable reserves.

The final position for all departments as reported to Cabinet on 7 June 2021 was a balanced budget, after transferring £4.056m from non-COVID underspends to the general reserves.

The Council's overall reported Net Assets are negative at -£473.6m (compared to -£8.6m at 31 March 2020). The unusable reserves have increased by £532m largely due to an increase in the Pensions Reserves of £468m. Any net liability in the Council's balance sheet is due primarily to net pension liabilities and does not affect the general fund balanced budget.

Total long-term liabilities shown on the face of the balance sheet have increased by £0.5bn, largely explained by an increase of £0.5bn pension net liabilities based on actuarial valuation assumptions at 31 March 21.

7. Resource Implications

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

8. Other Implications

8.1 Legal Implications:
In order to fulfil obligations placed on chief finance officers by regulations 6 and 10 of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021, the Executive Director of Finance and Commercial Services must prepare an annual governance statement, and publish an approved statement of accounts by 30 September 2021, or if later as soon as reasonably practicable after the receipt of the auditor's report.

8.2 Equality Impact Assessment (EqIA)

In setting the 2020-21 budget, the Council consulted widely. Impact assessments are carried out in advance of setting the budget, the latest being published on page 450 of the 13 January 2020 Cabinet agenda as "Proposed budget for 2020/2021 Overall summary: Equality & rural impact assessment report".

The Council has maintained a dynamic COVID-19 equality impact assessment to inform decision making during the pandemic.

8.4 Data Protection Impact Assessments (DPIA)

There are no Data Protection issues arising from the Audit Results Report.

9. Risk Implications/Assessment

9.1 The risk of not approving the AGS and the Statement of Accounts is that the Executive Director of Finance and Commercial Services will not be able to fulfil his obligations under the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021).

10. Recommendation

10.1 Recommendations are set out in the introduction to this report.

Officer Contact

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

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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.

Narrative Summary of Annual Statement of Accounts and Annual Governance Statement 2020-21

1. Introduction

1.1 As part of the formal process of closing the County Council's 2020-21 accounts, Members are required to consider and approve the Annual Governance Statement attached as Annex 1, and to approve the Statement of Accounts ("the accounts"), Annex 2 (to follow), prior to publication. This process of approval is included within the Committee's terms of reference.

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

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

2. Background

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

2.2 The Executive Director of Finance and Commercial Services is satisfied that the Statement of Accounts has been prepared in accordance with both the current Code of Practice on Local Authority Accounting in Great Britain ("the Code") and the Service Reporting Code of Practice for Local Authorities ("SeRCOP") supported by International Financial Reporting Standards ("IFRS") and other statutory guidance. The Statement of Accounts is required to present a true and fair view of the County Council's financial position at 31 March 2021 and also the income and expenditure for the financial year.

2.3 The Executive Director of Finance and Commercial Services reported the final revenue and capital expenditure positions for 2020-21 and the provisions and reserves held at 31 March 2021 to Cabinet on 7 June 2021.

2.4 The net underspend of £4.056m reported to Cabinet on 7 June 2021 has been transferred to General Balances. Details of movements on this balance are shown in paragraph 5.8 below.

2.5 The Accounts and Audit (Amendment) Regulations 2021) temporarily moved the deadline for publishing draft accounts from 31 May to 31 July by amending the latest date for commencing the public inspection period.

A public inspection period of 30 working days commencing 2 August was publicised on the Norfolk County Council website well within regulations.

During the inspection period two freedom of information requests referring to the draft accounts were received:

- One question asked about where the speed awareness penalty fees were reported within the accounts
- A second question asked about the size and valuation of the County Farm Estate where this was disclosed within the accounts.

The Accounts and Audit (Amendment) Regulations 2021) has temporarily moved the deadline for publishing final accounts from 31 July to 30 September 2021. Officers believe this deadline will be met.

2.6 The draft 2020-21 Statement of Accounts dated 30 July, together with the draft AGS, have been publicly available on the Council's website since 30 July and throughout the public inspection period.

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

2.8 A small number of significant amendments have been made as a result of checks performed during the audit period, and as a result of new information received. These are listed in paragraph 6.3. None of these adjustments are material in their own right, and the net impact has been £5.5m

2.9 The Council has taken the decision to continue the departure from the CIPFA Code and not to adjust the Group Accounts to reverse the impact of IFRS16 adoption. The information required to reverse the impact of IFRS16 in the 2020/21 accounts will not be available from Norse and as the newly recognised assets in the balance sheet are less than 0.7% it is felt the non-adjustment will not materially impact the users understanding of the accounts. From 1 April 2022 the Council's accounts and group accounts will converge as both will be subject to IFRS16.

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

2.10 Within the Pension Fund Accounts, the auditors to the Aviva Investors Infrastructure Income Limited Partnership have issued a qualified audit opinion as they have been unable to gain sufficient appropriate audit evidence to the accuracy and sufficiency of any provision required on a legal claim representing less than 9% of the total NAV of the Fund. The carrying value of the Norfolk Investment in these accounts is £39.2m. This decision was discussed and accepted by the Pensions Committee on 5 October 2021 2021.

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

3. Annual Governance Statement

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

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

3.3 The Executive Director of Finance and Commercial Services reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. His report to 29th July 2021 Audit Committee stated that the Chief Internal Auditor reports that the system of internal control, including the arrangements for the management of risk during 2020-21, was acceptable and therefore considered sound.

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

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

3.6 The AGS explains how the Council has complied with the Code of Corporate Governance throughout the 2020-21 financial year, and up to the date the accounts are published including the impact on Covid-19 on the objectives and activities of the Council. Within the detailed examples given in the report it also confirms that areas where controls need to be developed or improved and how these are being actioned. A few consequential changes have been made to the statement since it was published and these are highlighted for reference on pages (5, 7 and 28) of the document (at Appendix 1:Annex 1).

4. Changes to the Presentation of the Accounts

4.1 The Council continues to prepare its Statement of Accounts under International Financial Reporting Standards as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

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

		£m
Net transfers from earmarked reserves –	opening	89.402
(note 17)	closing	(144.635)
Movement in reserves		**(55.233)**
Transfer of DSG Reserve to Unusable Reserves		**19.703**
Underspend reported to Cabinet 7 June 2021		(4.057)
Net (Surplus)/Deficit (note 1, Expenditure and Funding Analysis)		**(39.587)**

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

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 2020-21.

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

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

Explanatory Foreword

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

Statement of Responsibilities

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

Independent Auditors’ Report

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

Movement in Reserves Statement

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

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

5.8 **Movements on the General Fund Balance are as follows:**

	£m
Actual General Balances at 1 April 2020	**19.706**
Net underspend 2020-21	4.057
General Balances at 31 March 2021 (*as per Note 27 of the accounts*)	**23.763**

At County Council on 17 February 2020, the Executive Director of Finance and Commercial Services presented a Statement on the Adequacy of Provisions and Reserves 2020-21 to 2023-24. This recommended that general balances should be £19.623m through 2019-20. As a result of the net underspend in 2020-21, general balances at 1 April 2021 continue to exceed the recommended amount.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

5.10 The Balance Sheet statement sets out the financial position of the Council at 31 March 2021. The statement shows the balances and reserves at the Council's disposal, its long-term borrowing, and the fixed assets and net current assets employed. The principal movements on the balance sheet are described below.

5.11 The net book value of Property Plant and Equipment (note 18) is broadly in line with 2019-20. Derecognitions in land and building are due mainly to schools converting to academy status and more than offset by expenditure on highways and other infrastructure.

5.12 The value of investment properties (note 20), which are those held to generate an income has decreased by £2.9m due mainly to adjustments in the fair value measurement of the properties and increased by £6.8m for the transfer of the Scottow Solar Farm into the investment properties portfolio.

5.13 The total of Cash and Cash Equivalents (note 23), has increased by £54m due to an increase in cash investments held in money market funds and a reduction in overdrawn cash and bank balances as at year end of £13m.

Short term investments have increased by £42m and therefore overall cash balances have increased as additional PWLB debt has been taken on to pay for capital expenditure and to take advantage of historically low interest rates. This corresponds with the increase in Long Term Borrowing of £45m (note 21)

5.14 The levels of short-term debtors (note 22) have increased by £19m, mostly due to a £19m increase in trade debtors. The levels of long-term debtors have seen a £6m reduction but remain broadly in line with 2019-20.

5.15 Amounts classed as Asset Held for Sale (note 24) have increased significantly since 2019-20. Property valued at just under £3.2m was sold during the year, replaced with properties valued at £5.3m actively awaiting sale at the end of the year, in accordance with the Council's approach of both generating capital receipts and reducing property maintenance costs.

5.16 Other long-term liabilities shown on the face of the balance sheet have increased by £465m, due to a 0.5% decrease in the discount rate assumption in the actuarial valuation of Pension liabilities.

The Council's net pension liabilities (Local Government Pension Scheme and Fire-Fighters Pension Scheme) have increased from to £1.1bn to £1.6bn (note 33, net liability arising from defined benefit obligation). The Council's net Pension Liability is one of the largest individual figures in the accounts. Over the past few years, the liability has been volatile, with annual increases and decreases regularly exceeding £400m.

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

Period ended	31 March 2020 % p.a.	31 March 2021 % p.a.
Salary increase rate	2.6%	3.6%
Pension increase rate	1.9%	2.9%
Discount rate	2.3%	2.0%

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 The Council's overall reported Net Assets are negative at -£457.8m (compared to -£8.6m at 31 March 2020). This net asset/liability figure to a large extent depends on two unrelated valuations, one being the valuation of local authority property and infrastructure assets, most of which cannot be sold or exchanged for value, with the other being net pension liabilities.

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

Cash Flow Statement

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

Notes to the Core Financial Statements

5.19 The Statement of Accounting Policies which summarises the accounting rules and conventions that have been used in preparing the accounts can be found in Note 41.

5.20 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.

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

5.22 The adjustments in note 16 are applied to the Movement in Reserves Statement. The Statement of Accounts General Fund Balance of £168.398m is the sum of £23.763m General Balances figure reported on 7 June 2021 to Cabinet, plus the earmarked reserves of £144.635m listed in note 17.

<u>Contingent liabilities</u>

5.23 The note explaining Great Yarmouth Port Company Pension Guarantee (note 46), which relates to employees who transferred to Great Yarmouth Port Authority in 2007, was updated in December 2019 to reflect a significant improvement in the scheme net indemnity, and the extent to which the value of collateral property exceeds the total indemnity.

<u>Events after the Reporting Period</u>

5.24 In note 48 this year there have been no events after the reporting period which have a material impact on the core financial statements.

The impact of COVID-19 on the finances of the Council were noted in the previous year's financial statements.

Going concern

5.25 The Corona virus restrictions across the UK have created significant issues for many businesses and residents. As a result from April 2020, Council income was affected detrimentally as some paid-for services were not able to operate. On the other hand, the government has provided direct financial support for lost income and for the additional costs borne by authorities and the net impact is reported regularly to Cabinet. A note describing briefly the on-going impact and uncertainties of Covid-19 is included in note 47.

Group Accounts

5.26 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.

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

5.28 Since the draft accounts published on 30 July 2021 adjustments have been made to the group accounts, and these are shown in section 6 below as well as one non-material adjustment in respect of IFRS 16 (right of use assets/leases) which has not been adjusted for reasons set out in paragraph 6.6.

Fire Fighters' Pension Fund

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

Pension Fund Accounts

5.30 The detailed Pension Fund Accounts which are incorporated into this Statement of Accounts have been considered by the 5 October 2021 Pensions Committee which:

i) Received and considered the draft 2020-21 Annual Report and Accounts of the Norfolk Pension Fund.
ii) Commented on the Financial Statements and made the recommendation to the Audit Committee that they be approved.
iii) Delegated to the Chair of the Pension Committee and Executive Director of Finance and Commercial Services to sign the letter of representation on behalf of the Pension Fund, subject to any comment arising in the ISA 260 Audit Results Report.

The letter of representation and subsequent amendments are addressed in a separate report to this Committee.

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

6.1 Since the publication of the draft accounts on 30 July, and during the audit, officers and Ernst & Young have identified no adjustments to correct non-material errors or to enhance disclosures within the financial statements and associated notes.

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

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

6.3 **IAS19 pension valuations**
A late valuation for private equity investments led to the pension fund issuing an updated IAS 19 report which resulted in a reduction in pension liabilities of £21.3m.

Capital Grant Income
During a review by officers, it was discovered that £5.5m of income received on 31 March 2021 had incorrectly been treated as capital grant received in the 20-21 financial year. This receipt was made up of a £0.7m income relating to 20-21 and a £4.8m capital grant received in advance relating to 21-22. The result was that

- debtors were overstated by £0.7m,
- creditors understated by £4.8m
- capital grants unapplied was overstated by £5.5m
- CIES was overstated by £5.5m

This error has been corrected in the accounts presented to the committee.

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

Other adjustments and error corrections

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

All adjustments requested by the auditors have been made to the Single Entity accounts, and no further changes are anticipated. One adjustment has not been made to the group accounts (see note 6.6).

Overall impact of adjustments since the July draft

6.5 The net liabilities of the Council in the July draft were £473.645m, as shown in both the Balance Sheet and the Movement in Reserves Statement. Following the changes listed in 6.3 above, net liabilities have been adjusted to £457.785m. The only audit difference not adjusted for is the set out in 6.6 below.

Adjustments not made

6.6 **IFRS adjustment Group Accounts**

Under previous rules, lessees accounted for leases as either operating leases or finance leases depending on the nature of the lease, with only finance lease assets and liabilities being recognised on the balance sheet. IFRS16 will require all leases, with very few exceptions, to be included in the balance sheet. This is likely to result in a number of vehicle and property leases currently classified as operating leases to be brought onto the balance sheet.

On 1 April 2019, Norse Group Ltd adopted IFRS 16, in accordance with recognised accounting standards required for larger companies. This has resulted in £10.350m of operating lease liabilities being reclassified as finance leases from that date, increasing the value of both lease liabilities and Property Plant and Equipment in the Group balance sheet. The current net book value of Right of Use Assets held by Norse Group Ltd is £23.8m These leases are reflected in the group accounts at 31 March 2021 as finance liabilities of £22.9m, matched by an increased value of fixed assets.

To put this value in context, the net book value of Property, Plant and Equipment in the group balance sheet is £1,793m. The value of right of use assets in the balance sheet is less than 1.3% of the total value of PPE.

CIPFA/LASAAC originally deferred implementation of IFRS16 for local authorities from 1 April 2019 to 1 April 2020, and more recently in December 2020 CIPFA/LASAAC agreed to defer the implementation to the 2022-23 financial year, with an effective date of 1 April 2022. The first published balance sheet which will be affected will be dated 31 March 2023. The goal remains to implement IFRS 16 for local authorities and CIPFA/LASAAC have emphasised that this further deferral is limited to one year only.

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

- the adjustment is not material to the group accounts;
- the equivalent accounting entries will not be available from Norse as part of their accounts production work as at March 2021;
- any additional work will compromise the Council’s ability to produce auditable draft accounts in advance of the 31 July 2021 deadline;
- in 2022-23 the Council’s accounts and group accounts will converge as both will fully be subject to IFRS 16.

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

Temporary changes to deadlines for 2020-21 and 2021-22

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

In a letter from MHCLG to local authority chief executives summarising the Accounts and Audit (Amendment) Regulations 2021, it was confirmed that the publication date for final, audited, accounts would move from 31 July to 30 September for both 2021 and 2022.

The requirement for the public inspection period to include the first 10 working days of June was replaced with the requirement that the inspection period had to commence or before the first working day of August 2021. The meant that the latest date for publication of draft accounts moved from 31 May to 31 July 2021. The Council's public inspection period started on 2 August, within the revised timeframe.

7. Developments in local authority accounting

7.1 IFRS 16 leases

As stated above, CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022. At this time, the right of use assets and corresponding lease liabilities in the single entity accounts are expected to be approximately £14m based on current operating lease disclosures.

Annex 1

DRAFT Annual Governance Statement

for Norfolk County Council

2020-21

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 COVID-19 outbreak, which started in late 2019 and developed rapidly during early 2020, meant that the Council deployed the Civil Contingencies Act 2004 [1] provisions and in order to follow government guidance on remote working and social distancing suspended Council meetings. This was an emergency situation and response to the many government announcements had to be made quickly. An exercise to assess the response made is expected to take place in the future. Since 17 March 2020, all NCC colleagues have been working from home where possible. Technology improvements were rolled out swiftly to enable this. Some colleagues continued to work in the community where their role required it. Where essential services required colleagues to be in a premises, or if they do not have a suitable homeworking environment or for wellbeing reasons, measures were put in place to enable this. Non-essential buildings were closed, and activities were re-prioritised to reflect the new reality. A rapid roll-out of "soft telephony" (MS Teams), Teams voice conferencing facilities and other remote working technology (such as Zoom) was undertaken and has enabled over 5,000 employees to access NCC systems remotely and continue to support the organisation and the public. Additionally, grants of up to £250 were available to staff to purchase office-related items to further enable home working. How we have delivered our services and which services remained active has kept in step with national guidelines and infection prevention and control measures identified through NCC risk management process.

[1] Councils are category one responders under the Civil Contingencies Act 2004, which sets out the legislative framework for responding to emergencies such as the Covid-19 outbreak. As part of the local resilience forum councils work with local partner organisations to plan and activate emergency responses and there are established officer-led processes for leading the strategic (gold), tactical (silver) and operational (bronze) responses under the 2004 Act.

1.3. Council meetings were cancelled from mid-March 2020 to mid-May 2020. All Council meetings, including Full Council, Cabinet, Scrutiny and other committees have been successfully held remotely from May 2020. These meetings have been held as open meetings through the use of YouTube for live broadcast and video playback. Video and audio recording have also been made available on the NCC website to ensure openness and transparency. The Council has participated in the Norfolk Resilience Forum and has held effective Gold and Silver meetings regularly (at times daily) throughout the outbreak. A detailed report on the COVID-19 response and the financial implications was reported to Cabinet on Monday 11 May 2020. Go to the COVID-19 response and the financial implications report. A NCC response to COVID-19 initial lessons learned report was reported to Cabinet on Monday 3 August 2020. Go to the NCC response to COVID-19 initial lessons learned report. A report providing a progress update on the action plan went to Cabinet 2 November 2020. Go to progress update on the action plan report. The Cabinet has also received reports on outbreaks and locally supported contact tracing. In-person Council Meetings, with social distancing measures employed, restarted in May 2021.

1.4. The COVID-19 pandemic has had a profound impact on the Council's activities and finances in 2020-21. Additional funding has been provided in-year by Government as part of the response to COVID-19 to meet additional cost pressures, partially compensate for lost income and offset the impact of non-deliverable savings. At the same time, normal operations have been severely disrupted. The economic downturn resulting from the pandemic is causing widespread economic impacts. In July 2020, the Council launched the "Norfolk Delivery Plan 6", which is our contribution to the New Anglia Local Enterprise Partnership's "Norfolk and Suffolk Covid-19 Economic Recovery Plan 7". Rebuilding the local economy, while attracting investment and putting infrastructure in place to support further growth remains a priority. The Council is continuing to work with partner organisations to respond to the pandemic and protect Norfolk's citizens and businesses including through Norfolk's Local Outbreak Management Plan (go to that plan here). The emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council applied a greater degree of assessment and judgement to determine the appropriate accounting treatment. The grants were reported in the financial reporting to the Cabinet and where they were required verification certificates were completed following reasonable checks to ensure that the conditions had been met.

1.5. Despite the challenges of the last year, the Council has taken action to maintain the delivery of vital services across all areas of its operations and has worked in partnership across the whole system to protect vulnerable people, support businesses, and ensure the safety of all staff delivering this vital work. The work of Public Health and the Norfolk Office of Data Analytics (NODA) have played a key role in providing insights that have informed the management of the pandemic across Norfolk, both in terms of tracking the course of the pandemic but also predicting trends that allowed for strategic decision making for the county. The Council has conducted research on the potential impacts of the pandemic on Norfolk, its economy and its residents. This research is informing the Council's recovery planning and that of our delivery partners across Norfolk. The impacts of the COVID-19 crisis will continue to have a significant impact on demand for our services and on the budget we have available. Demand for some services was already rising each year with more older people requiring social care and more children with special needs and disabilities needing support. New pressures from the crisis will add to this, and the economic and psychological distress of lockdown on our residents is increasing demand for our social care and support services as well as NHS services.

1.6. The consensus has been that we would enter a third wave of the pandemic in the summer/autumn of 2021. However, there are two significant unknowns, the positive impact of the vaccinations programme on transmission of the virus, the early indications are that the vaccines significantly reduce the severity of symptoms, and the impact of new variants of the virus. Therefore, NCC is continuing to use, and share, the data driven insights from Public Health and NODA as we plan for the coming year so that we continue to work effectively with partner organisations to respond to the challenges the pandemic provides. That, combined with the research on the impact of COVID-19 on Norfolk over the next 5 years, is informing our recovery planning for Norfolk.

1.7. Internally the Council is building on the changes to how we use technology to support new ways of working, accelerated by the pandemic and national lockdown. We are taking the lessons from what worked during the pandemic into how we run our services as lockdown restrictions ease. Digital inclusion is key and we are proud of the work we have supported to get every child online and try new models of service to ensure support to some of our most vulnerable clients during the pandemic that will also provide new, more sustainable models of service going forward. Whilst we meet current needs, our service transformation programmes are delivering new models of service we are also safeguarding the future by continuing to invest in preventative action and early intervention. This is particularly important in the context of the impact of pandemic on the economy, levels of employment, mental and physical well-being in Norfolk. The Council is also working jointly with health partners as part of longer-term transformation within the health and social care system, such as discharge arrangements from hospital and short-term care.

1.8. 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 will report to the Audit Committee in July 2021 that, in his opinion, the system of internal control, including the arrangements for the management of risk during 2020-21, was acceptable and therefore considered sound. A further update report on the COVID -19 Governance arrangements was reported to the Audit Committee in January 2021. Go to A further update report on the COVID -19 Governance arrangements (Appendix C - page 19).

1.9. As part of producing this statement, Executive Directors have completed and signed an Annual Positive Assurance Statement and completed a supporting departmental assurance table. Action plans will be put in place where any strengthening may be required and assurance, on completed actions, will be reported to the Audit Committee in October 2021. Data Protection has been recognised as a topic that needed further strengthening. Significant activity has been undertaken to deliver the recommendations laid out in the SOCITM report of March 2020, alongside critical work to ensure the Council remained compliant during Covid, after Brexit and as a result of Schrems II. An annual report from the Council's Senior Information Risk Officer (SIRO) will be reported to the July 2021 Audit Committee. Each department received an Annual Health and Safety report for the year. Recommendations were made to strengthen and improve Health and Safety management and those will be followed up. The Council is alert to recent local authority Public Interest reports; the risks, consequences and any lessons that can be taken for sustaining and or further strengthening governance, if required to meet new challenges.

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 Delivering Good Governance in Local Government (CIPFA/SOLACE, 2016). The Code was approved by the Policy and Resources Committee on 26 March 2018 and updated in May 2019 for consequential changes due to the adoption of the Cabinet system. If you require any further information regarding this statement please contact Mr. Simon George, Executive Director of Finance and Commercial Services, Norfolk County Council, County Hall, Martineau Lane, NR1 2DW.

2.3 Through the application of the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21, 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 (as amended), in relation to the publication of an Annual Governance Statement.

2.5 The Council administers the Norfolk Pension Fund and the governance arrangements are statutorily prescribed. The Council complies with these requirements. For further details, please consult the Norfolk Pension Fund Governance Statement 2020.

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

- Norfolk Records Committee,
- Norfolk Joint Museum Committee,
- Eastern Shires Purchasing Organisation (ESPO),
- Eastern Inshore Fisheries and Conservation Authority,
- Norfolk Parking Partnership Joint Committee,
- Norfolk and Waveney Joint Health Scrutiny Committee,
- Joint Committee for Transforming Cities Fund projects.

2.7 The Council owns 10 companies; eight are limited by shares and two are limited by guarantee with no share ownership. In addition, two companies were dissolved during 2020-2021 and one has been dissolved in 2021-22 as they were no longer required. Further details are set out below: (eight are 100% owned (two dissolved during the year), three are partially owned (two dissolved in 2021-2022) and two are limited by guarantee with no share ownership), detailed below:

Active Companies:

- The largest wholly owned company by the Council is the Norse Group Limited. It is the parent company of NPS Property Consultants Limited, Norse Transport, Norse Eastern Limited, Norse Commercial Services Ltd and Norse Care Ltd, plus their subsidiaries. The group delivers a range of professional services to both public and private sector clients throughout the UK. The group's client lists include many local authorities and housing associations, government departments, health authorities and emergency services. For more information regarding NORSE and its services, please refer to its website at http://www.norsegroup.co.uk

- Hethel Innovation Ltd, is wholly owned by the Council. The primary purpose of the company is to support inclusive economic growth and deliver associated economic benefits for the benefit of Norfolk communities, particularly where there are specific challenges, or the market has failed to address need. The company owns and runs Hethel Engineering Centre, manages Scottow Enterprise Park on a lease from the Council, and promotes a variety of networks and events to promote enterprise in Norfolk. For more information please refer to the website at http://hethelinnovation.com/.

- Independence Matters is a Community Interest Company (CIC) which started trading 1 November 2013. The Council owns 49% of the shares with the remaining shares held by an Employee Benefit Trust. A ten-year strategic partnership agreement was signed with Norfolk County Council in July 2019. Within the Partnership Agreement both parties have signalled the intention to transfer the 51% staff share ownership to Norfolk County Council to support future procurement if it is in the best interest of all parties. Currently staff shares are held by Independence Staff Matters Ltd as corporate trustee of the Independence Matters Employee Benefit Trust. The new partnership agreement has removed the block contract covering the traded services, with service predominately contracted using the relevant procurement framework. In response to the issues facing a national home care provider and to ensure continuity of care, Home Support Matters was set up on 10th December 2018, as a wholly owned subsidiary of Independence Matters. For more information regarding Independence Matters please refer to its website at http://independencematters.org.uk/.

- Norfolk Safety Community Interest Company (CIC) operates in partnership with Norfolk Fire and Rescue Service, and provides a range of risk management, training and development and other services to public bodies, third sector organisations and businesses. The company is limited by guarantee with no share ownership and the guarantees are provided by County Council employees acting on behalf of the County Council. For more information on the CIC please refer to website at http://norfolksafety.org/

- Legislator 1656 Limited is a holding company which is jointly owned with Norwich City Council and is controlled through each party owning 50% of the voting share capital. The company owns 100% of Legislator 1657 Limited whose principal activity is the leasing of investment properties. The companies were created when Norwich City Council and the County Council jointly sold 80.1% of their shares in Norwich Airport in 2004.

- Repton Property Developments Ltd was incorporated on 27 July 2017 and is wholly owned by the Council. Its primary objective is to undertake direct property development with the aim of maximising financial returns (capital receipts and revenue income) for the Council to support service delivery.

- NCC Nurseries Limited is wholly owned by the Council and was incorporated on 27 November 2019. The company has been set up to provide nursery provision after the previous provider, Great Yarmouth Community Trust, went into receivership. It operates six nurseries in the Great Yarmouth area and in due course it is expected that the company will seek alternative providers to run the nurseries and will withdraw from the sector.

- LCIF 2 Limited was incorporated on 29 August 2019. The company is a management company which is responsible for the set up and implementation of the Low Carbon Innovation Fund. The company is limited by guarantee with no share ownership and the guarantees are provided 50% by the Council and 50% by the University of East Anglia. The Fund will invest in equity and convertible loans to support growing technologies across three LEP areas (New Anglia, Herefordshire and the Cambridge and Peterborough Combined Authority).

<u>Non-Active companies:</u>

- NCC HH Limited, incorporated on 27 November 2019, was established to continue to provide alternative education provision at Horatio House Independent School which was under threat as a result of the previous provider, Great Yarmouth Community Trust, going into liquidation on 10 December 2019. NCC HH Ltd ceased actively trading on 31 August 2020 as the company had fulfilled its purpose and is now in the process of being closed.

- The Great Yarmouth Development Company, which was jointly owned with Great Yarmouth Borough Council, with each party owning 50%. The company was dissolved on 24 August 2021.

- Norfolk Energy Futures Ltd was wholly owned by the Council. The company was dissolved on 29 September 2020.

- Educator Solutions Ltd, incorporated on 15 April 2016, was wholly owned by the Council. Educator Solutions was dissolved on 13 October 2020.

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

Where appropriate the wholly owned/partly owned companies have Council Member and/or Officer representation on their boards of directors. Assurance about the governance in place for Norse has been obtained through the reports received by their Internal Auditors and a signed Group Annual Assurance Statement. All other significant companies have provided an Annual Positive Assurance Statement and completed a supporting assurance table. An audit has recently been completed for Hethel Innovation

Ltd. The audit found there were some areas that needed strengthening and management are currently dealing with this.

2.8 The Council is a partner in five pooling arrangements, detailed below:

- The Norfolk Learning Difficulties Pooled Fund now exists only as a legal entity as part of the arrangements for commissioning Learning Difficulties health services. The Council now receives funding directly from Central Government as part of the formula funding

- Norfolk Medicines Support Service. The Council, the Clinical Commissioning Groups (CCG's) and Arden and Greater East Midlands Commissioning Support Unit, have put in place a Section 75 agreement, effective from 4th November 2019 until 31st October 2022. The CCG is the lead commissioner and Arden and GEM are the provider.

- There has been a Better Care Fund pooled arrangement in place, covering the five CCGs in Norfolk. Since April 2020, the CCGs have formed a single Norfolk and Waveney CCG. A new Section 75 for 2020-21 has been created and signed. The Better Care Fund (BCF) requires local authorities with responsibility for social services and CCGs to create a pooled commissioning fund for the provision of integrated health and community care services, with a priority purpose of supporting the integration of health and care. It incorporates Better Care Fund monies and Improved Better Care Fund grant. The pooled fund is secured through an agreement under section 75 of the National Health Service Act 2006. The Norfolk and Waveney STP Executive overseas the governance of the pooled fund. The Better Care Fund plan, which sets out how funds are spent, is required to be approved by the Health and Wellbeing Board. The Council administers the pooled funds.

- Following the Coronavirus pandemic, a separate Section 75 agreement has been agreed to enable partnership arrangements to support the hospital discharge service requirements, commissioning of adequate step-down care capacity and reclaim of related costs to the NHS. This will apply from 19th March 2020 to 31st March 2021. The council will be supporting contracts for all hospital discharge, including costs that would normally be commissioned by the CCG. Costs will be recovered via a monthly claim to NHSEI with Norfolk County Council contributing resources that would normally have been expected to support care following hospital discharge. An extension to this arrangement will be required to cover at least the first 6 months of 2021/22. That work is pending the publication of national guidance to help shape an extended Section 75 agreement.

- Norfolk County Council with all seven district councils participated in the Norfolk Business Rates Pool until 2020-21. The Pool had enabled Norfolk Authorities to retain revenue from additional business rates growth by avoiding a levy on growth which would otherwise be payable to Central Government. Pooled funds are used to support economic development projects in Norfolk with Norfolk Leaders approving the allocation of funds to projects. Norfolk Authorities also participated as a 75% Business Rates Pilot Pool in 2019-20. In addition to the pooled funds used to support economic development projects, the pilot delivered additional retained business rates income for Norfolk Authorities, with the financial benefits arising in 2020-21. Norfolk Leaders have agreed to suspend Business Rate pooling in 2021-22 in view of the risks to business rates income related to the COVID-19 pandemic. The use of 2020-21 Pool gains will be considered by Norfolk Leaders during 2021-22.

- Norfolk County Council acts as the accountable body for the Greater Norwich Growth Board Infrastructure Investment Fund. The 2013 Greater Norwich City Deal allows, amongst other things, access to £60 million of Public Works Loan Board (PWLB) borrowing at a reduced rate to fund strategic infrastructure. The agreement included a commitment from Broadland District Council, Norwich City Council and South Norfolk Council to pool CIL income, and in October 2015 an agreement including Norfolk County Council was signed to pool CIL income in order to create a substantial local growth fund to support local infrastructure projects”. Further information can be found at https://www.greaternorwichgrowth.org.uk/

2.9 Norfolk County Council has been designated to manage the 2014-2020 France (Channel) England Interreg Va European programme.

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

Following the UK Government’s EU (Withdrawal Agreement) Bill i.e. “Brexit”, the programme is guaranteed to continue until its natural conclusion in line with the Cooperation Programme.

Within the Council, a Project Board has been set up to oversee the management of risks this initiative generates for the authority.

The Audit Authority reports to the Audit Committee on progress made against the audit strategy and audit plan. Should significant issues arise and fail to be resolved with regards to the management and control system, these would be reported to the Audit Committee. No such issues were reported in 2020-21.

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

3. The purpose of a governance framework

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

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

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

4. The Governance Framework

4.1 The council achieves good standards of governance by applying the principles of Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016).

The Council's Code of Corporate Governance sets out the Council's governance standards. These standards ensure the Council is doing the right things, in the right way in a timely, inclusive, open, effective, honest and accountable manner. The Code is based upon the following principles:

- **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
- **B. Ensuring openness and comprehensive stakeholder engagement**
- **C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**
- **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**
- **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

4.2 These principles represent best practice and are taken from the 'International Framework: Good Governance in the Public Sector' produced by CIPFA/IFAC. Good governance is dynamic and involves continuous evaluation and review. To achieve good governance the Council should achieve their intended outcomes, while acting in the public interest at all times. As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C – G)

4.3 The Council's Code of Corporate Governance details the arrangements in place to comply with each of the principles. This Annual Governance Statement reviews the effectiveness of those arrangements and references changes that took place at the end of the financial year (and remain to date) for the Governance of the Council, as a result of the Covid-19 outbreak.

4.4 In the initial response to the Covid-19 emergency the Council developed a Distribution Infrastructure to assist with the distribution of supplies to vulnerable members of the community, established a 'step down' facility to assist with transfer of care cases from the NHS, and supported the local care market through constructive management of its contracts and payments. The Council sourced Personal Protective Equipment (PPE) for health and social care organisations including privately managed care homes in the County, and ensured it was available to organisations in need. The Council supported the management COVID-19 outbreaks with care homes and companies as well as in our communities. The Council co-ordinated the local track and trace process. Since the vaccination became available, the Council has worked with partners to ensure successful roll-out of the vaccination programme to targeted groups.

4.5 The Council has had to divert significant resources to responding to the Covid-19 pandemic. NCC and NFRS staff provided a huge range of valuable support and services since the start of the pandemic, including: standing up and maintaining an outbreak control response centre, assistance to hospitals, ambulance driving, delivery of essential items to vulnerable people, sourcing and delivering PPE and other medical supplies to NHS and care facilities, support to vaccination call centres and identification of groups eligible for the vaccine, developing and delivering a Norfolk wide testing strategy, enabling people financially impacted by the pandemic to access assistance. Strategic and operational control, including redirecting effort from other activities, was for many months exerted by a Gold and Silver command structure. In late 2020, more control was gradually been handed back to directorates with a Recovery Group being formed to coordinate that work. A Programme Board has now been established in early 2021, to take that recovery work forward. The Council has made use of remote meetings for decision making but has also used individual cabinet member decision notices where it is appropriate to do so. Along with other local authorities the Council has received financial assistance from the Government in relation to liabilities associated with responding to the Covid-19 situation. The risk management framework has been followed to provide for both a Covid-19 Operational Risk Register for use by the tactical Silver Group and a Covid-19 Strategic

Risk Register for use by the Corporate Board to manage emerging risks through the different phases of the pandemic and once the emergency response lifts.

4.6 The Council has continued to put measures in place to support communities, as the pandemic has continued, responding appropriately to the different restrictions imposed at various times. The Council has recognised the increased pressure the pandemic has created, in terms of economic difficulties, unemployment, and impact on physical and mental health. It is working with partners to address these issues and will build this into planning in future years. The Council established internal staffing and wellbeing procedures to ensure that staff and managers were and, continue to be, fully supported and resourced when working remotely or in the community during the emergency.

4.7 The Council has been unable to continue with remote committee meetings after 7th May 2021. The governance department has made plans for this and has ensured that the Council is able to continue with transparent decision making.

5. Effectiveness of the governance framework

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

That review is informed by:

- The work of the Head of Paid Service and Executive Directors within the County Council who are responsible for the development and maintenance of the governance environment
- The statutory roles of the Council's Monitoring Officer and Section 151 Officer
- The signed departmental assurance statements received and signed by Executive Directors for 2020-21
- The Annual Governance Statement working group
- Work performed by Internal Audit
- Comments made by the external auditors and other review agencies and inspectorate
- Systems and controls carried out as outlined in the Code of Corporate Governance.

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

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

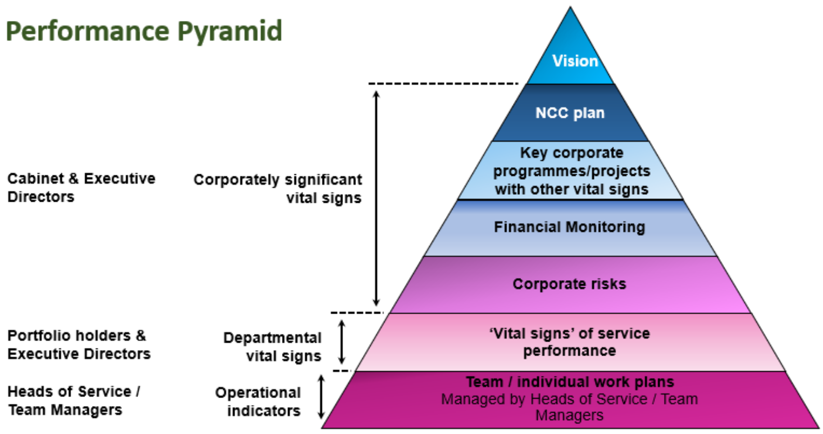
	Principles	Comment
A	Behaving with integrity, demonstrating strong commitment to ethical	Executive Directors confirmed, in all significant respects services comply with the Council's Constitution, Financial Regulations and key policies and procedures which include for declarations of interest, compliments and complaints and

	Principles	Comment
	values and respecting the rule of law.	whistleblowing. Where required actions are in place to ensure full compliance. A register of Members interests, and a register of gifts and hospitality is published for each Member on the Norfolk County Council internet. The Standards Committee met twice during 2020-21 on 27th July 2020 and 18th January 2021. The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members. Progress on the Council's Equality, Diversity and Inclusion objectives 2020-2023 was reported to Cabinet in November 2020. Go to November 2020 Cabinet Agenda (Page 156). The Monitoring Officer's Annual Report will be reported to the Audit Committee in July 2021. There are no exceptions to report.
B	Ensuring openness and comprehensive stakeholder engagement.	Cabinet, Scrutiny Committee, Select Committees and Full County Council have met regularly throughout the year from May 2020. These were virtual meetings and the agenda and public reports are available to the public prior to the meetings and minutes are available afterwards. There is provision for the public to ask questions. All meetings were filmed and streamed live on You Tube on the NCC Democratic Services Channel. Decisions taken at these meetings have been recorded in minutes. Ongoing support has been provided to schools and care sectors in line with the guidance issued by the Department for Education and the Department of Health and Social Care. A Norfolk Strategic Planning Framework has been endorsed by all stakeholder authorities in October 2019. It includes the shared objectives with Norfolk's Local Planning Authorities (including Norfolk County Council). The Council recently agreed a new Customer Service Charter. It refreshes the existing service standards and now sits at the heart of how we relate to each customer. During the year the Council has effectively engaged with stakeholders, residents and people who use the services provided. The Council consults on changes to services and other key decisions, such as the annual budget. The Council embraces the "We Asked, You Said, We Did" approach to consultation by publishing key findings from consultations and feeding back how these have contributed to council decisions. The Council adapted and extended digital engagement with residents and stakeholders in order to meet the challenges and

	Principles	Comment
		issues presented by COVID-19. The annual budget consultation and feedback from residents were via webinars led by our Cabinet Member for Finance and senior officers. The Norfolk Residents Panel, designed to reach out to a broad make up of people from across all seven districts in Norfolk and representative of our local population, was launched. It is primarily an engagement tool and it has been created to give a voice to a wide cross section of Norfolk's population, to understand what they are thinking and what they want to see from the council in the future. All recruitment and contact with our panel members have been conducted online. During the COVID-19 pandemic, small businesses in the County were stretched resource wise and sometimes represented a high risk in terms of virus transmission. They needed accessible online materials and support tailored to their needs, employees and customers. The council with partners in other sectors including district, borough and city councils, health and police, used their knowledge of local businesses and the demographics of workers and residents to identify key business types and workers to target with prevention messages. Together we designed toolkits based on behavioural science ensuring that businesses were supported to encourage engagement and communication in preventive behaviours to reduce virus transmission. The partnership provided translations of the toolkits into a range of languages to target the hardest to reach groups. They also provided content targeting some of the key risk behaviours in transmission. The toolkits were viewed by 18,000 business in Norfolk. There is an agreed Communication Strategy and Media Protocol delivered by the media team. From mid-March to early May the Council deployed the Civil Contingencies provisions and suspended Council meetings. Decisions have been taken by Cabinet Portfolio Holders or the Head of Paid Service, as allowed for in the Council's Constitution. Decisions taken by the Head of Paid Service and Portfolio Holders are published as a Summary which is reported to Cabinet. Any Delegated Decisions called in from those made by Cabinet Members will be considered at a subsequent Scrutiny Committee. As a result of the Covid-19 adjustments Officer Delegated decisions were reported at part 10 (pages 3 and 4) of the 11th May 2020 Cabinet agenda.

	Principles	Comment
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.	The vision for Norfolk in 2021, was approved by Full Council on 12 February 2018. This set out the direction of the Council in the next three years and what it would like to achieve. The 'Vision for Norfolk 2021 Caring for our County' outlines the Council's commitment to: - Building communities we can be proud of - Making the most of our beautiful County - Starting a new relationship with Norfolk families - Investing in children and families - Helping our population remain independent, resilient and well - Getting our own house in order. Across the Council, teams and departments have developed '**Plans on a Page'** bringing fresh thinking to the task of proposing new and different ways to prepare for the future. Plans on a page support the Council's vision. On 7 May 2019 the Council formally adopted "Together, for Norfolk an ambitious plan for our County 2019-2025". It includes clear priorities and outcomes, as stated below: **Priorities** Focusing on **inclusive** growth and **improved social mobility** Encouraging **housing, infrastructure, jobs and business** growth across the County Developing our **workforce** to meet the needs of the sectors powering our local economy. This way we can help Norfolk have a **growing economy**, full of **thriving people** living in **strong communities** we are proud of.

	Principles	Comment
		Outcomes Growing economy: • More businesses start, grow and invest in Norfolk • The local economy is inclusive, and supports and benefits local businesses and communities • Infrastructure is in place to support housing development, inward investment and sustainable growth • Enough homes are being built to meet people's need, including affordable homes • Easy access to the County, good transport, fat internet and strong mobile network help people and businesses connect with each other • People with high level qualifications are attracted to and remain in Norfolk • High quality employment opportunities are available Thriving people • All children in Norfolk have a good education which meets their needs, encourages ambition and gives them knowledge and skills for adult life and employment • Young people and adults, including people with learning or physical disabilities and mental health problems, are able to develop skills for the future, and local businesses are able to invest in them • Workers in Norfolk can access well paid, high value skilled jobs through the achievement of higher accredited learning and those in need of improved foundation skills can access learning • All families, older people and people with learning or physical disabilities are supported to live well and independently in their community Strong Communities • People are socially active and connected to their communities • People of all ages enjoy good health and increased wellbeing • Services in communities are joined up and more able to meet people's needs • Community groups and voluntary organisations are able to deliver services which people need in their community • Communities are safe and resilient

	Principles	Comment
		• People have access to high quality culture and heritage facilities • People can enjoy high quality of life in an environment which is protected The Council's new Environmental Policy was presented and approved at Full Council on 25 November 2019. Progress with the policy was reported to Cabinet on 12 January 2021. Go to Cabinet report. The pandemic has presented a number of additional challenges, which are taken into account as part of the recovery planning and runs alongside our performance programme that ensures vital signs are meaningful and reflect positive outcomes for the people of Norfolk.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes.	 During the year Cabinet received performance monitoring reports on the identified key areas (vital signs). These included performance dashboards and a detailed review of those areas not performing as expected. These provided both quantitative and qualitative performance information. Where performance is not meeting expectations, the reasons why are discussed and the required action to improve performance is identified. To improve its economy, efficiency and effectiveness the Council uses information about its costs and performance to improve the way it manages and delivers its services. The vital signs and corresponding targets were revised in April 2020 and strongly reflect our corporate priorities. The previous paper-

	Principles	Comment
		based performance reporting system has been overhauled into a digital system and was launched at the end of April 2021. The digital performance system provides a clear line of sight from our strategic goals through to our operational plans. Each Executive Director/Departmental Management Team uses the system to review performance and provide challenge on at least a monthly basis. This system of performance measuring and monitoring will be in continual development and review to ensure it meets the performance needs of the organisation. The annual report showing how we are delivering against the plans and commitments stated in the Norfolk County Council Plan 2019-25, has been delayed due to COVID-19 as well as the pending local government elections. It is the intention to publish this in June 2021. Norfolk County Council is currently working to identify the priorities arising from the Covid-19 crisis and will be reviewing and refreshing Together, for Norfolk as necessary in the current performance year. External challenge has been provided through benchmarking, inspections and peer reviews. Details of other inspections and peer reviews are included in **Appendix 1**.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.	Developing NCC's capacity There are a number of strategies, policies and frameworks that drive the development of NCC's capacity, including the NCC Workforce Priorities, Performance Development Conversations, and suites of learning focused on leadership & management, digital skills, core skills, induction, apprenticeships, and professional skills such as social care. Professional communities are under development and supported by technology to enable virtual communities to develop. Career families and profession leads are an emerging approach and, once a strengths-based approach is embedded and the Oracle replacement is live, colleagues will be provided with a more integrated approach to the recruitment and development of people. A refreshed mandatory training policy has been created and is currently in the process of sign off; compliance rates will be monitored using the Learning Hub system and shared with relevant subject matter owners, Strategic HR Business Partners, and managers via accessible dashboards. A simplified policy supporting change within the organisation has been created and signed off and is live now.

	Principles	Comment
		The coaching strategy continues to be implemented and the new cohort of ILM 5 internal coaches is now qualified and ready for deployment. A collaborative approach to procurement of senior external coaches for senior leaders is underway with the Norfolk NHS System Transformation Plan (STP). An NCC approach to workforce planning is being developed and, once operational in the second half of 2021, will support Strategic HR Business Partners to bring a modern and consistent approach to their directorate workforce plans. The creation of the Recruitment Business Partner role will assist with this. The annual staff survey provides statistically robust insight into colleagues' perceptions of their experience working at NCC, and this process is now embedded as business as usual as we approach our third year of completion. On-line data dashboards now enable visibility of data regarding the NCC workforce and this is available to appropriate HR professionals and managers. Detailed action plans are owned by each directorate and progress on these is governed by the NCC Corporate Board. The Board receive reports on the results of the survey and the progress with departmental action plans to support this process. Governance of the above strategies, policies and frameworks continues to sit with the Norfolk Development Academy, the Social Care Development Academy, the employment committee, the HR Leadership Team, Corporate Board, and other transformation boards or committees as required. Risks and issues with adherence to policies or implementation of strategies are raised to the appropriate governance forum and appropriate remedial plans or actions are developed. The Head of Organisation Effectiveness and Learning (Head of OE and L) leads the above strategies, policies and frameworks on behalf of the Director of People. The strategic resourcing lead leads on the resourcing and recruitment strategy for NCC and has a team including an operational manager, contracts manager and business partner to deliver this service.
F	Managing risks and performance through robust internal control and strong public financial management.	As per the earlier introduction in 1.2, the emergence of COVID-19 in early 2020 saw a monumental shift in the ways of working across the Council. From a risk management perspective, the Council has faced numerous new risks, leading to risk management playing a more prominent and direct role in the Council's operations.

	Principles	Comment
		General Overall, risk management has continued to be embedded throughout the Council, with risk coverage at several key Member and officer led meetings, as well as a risk section within all standard NCC reports. Risk has taken on a greater role in discussions during 2020-21 due to the increased number of risk factors associated with the pandemic. Generic Corporate Risks Treatment of the generic corporate risks has continued alongside those specific to the pandemic, with quarterly reporting of the generic corporate risks to the Council's Cabinet and Audit Committee. The Council's annual risk management report was reported to the April 2020 Cabinet and Audit Committee. Whilst these meetings were cancelled owing to the pandemic, Members still received the reports. Departmental Risks At departmental risk level, departmental risk summaries were reported to the April 2020 Cabinet. Again, whilst this meeting was cancelled, Cabinet Members still received the summaries as part of the risk management report. During the pandemic, the departmental risk registers have been maintained, with departmental risk summaries scheduled to be reported in July 2021 to Cabinet and Audit Committee. Risk Management During the Pandemic Business as usual risk management processes (as set out above) continued to operate during the COVID-19 pandemic. Given the scale and complexity of the pandemic and associated changes to services and ways of working, additional steps were taken to capture and identify new and emerging risks. The Risk Management Officer was an active manager of the Council's Tactical (Silver) Group, supporting risk management. New corporate level operational and strategic risks were identified and mitigated appropriately. These were initially captured on separate risk registers and managed through the Silver Group, reporting to the Council's Strategic (Gold) Group where needed. The strategic risks reported as part of the Risk Management report to the July 2020 Cabinet and Audit Committee. As the arrangements and ways of working relating to the pandemic became embedded, and as local risks evolved, the need for a separate Covid-19 specific risk register reduced and risks now

	Principles	Comment
		continue to be assessed and mitigated under 'business as usual' processes. To recommence face to face activities, as national and local restrictions were reduced/removed, several risk tests or criteria had to be met including infection, prevention and control. Model COVID-19 risk assessments and guidance was provided for departments and support provided by the Health, Safety and Well-being Service to ensure services are delivered safely. Under the Fire and Rescue Services Act 2004 (The Act), the Council is the statutory Fire and Rescue Authority (FRA). The Act makes it a statutory requirement for the Fire and Rescue Authority to produce an Integrated Risk Management Plan. Norfolk FRA published its Integrated Risk Management Plan (IRMP) for 2020-23 January 2020. Go to the latest published annual Norfolk Fire and Rescue Statement of Assurance 2019/20. In January 2021 Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) reported they were impressed with how the service adapted and responded to the pandemic and how it put the health and wellbeing of its people at the forefront of decision making. Collaboration arrangements between the Fire and Rescue Service and Norfolk Constabulary have been formalised through a Memorandum of Understanding and collaboration agreement. This collaboration has enabled a number of service improvements to be put in place, including: - a new shared emergency control room, taking 999 calls from across Norfolk - more shared fire and police stations - a shared approach to dealing with missing persons - shared resources and training. Oversight of activities is carried out through the Council's Cabinet system, with any decisions taken in line with the Council's Constitution. All the Executive Directors have confirmed there are approved protocols, signed contracts and effective governance arrangements in place for work performed by third parties. Performance of wholly owned companies is monitored by Senior Officers and Members attendance at Board Meetings.

	Principles	Comment
		The Scrutiny Committee and three Select Committees constitute the Council's overview and scrutiny arrangements pursuant to section 21 of the Local Government Act 2000. The Scrutiny Committee monitors the decisions made by the Cabinet, Officers making executive decisions on delegated authority and other decisions. The Scrutiny Committee have 'called-in' decisions which have been made by the Cabinet but not yet implemented. This enabled them to consider whether the decision is appropriate. The three select Committees are: a) People and Communities Committee b) Infrastructure and Development Committee c) Corporate Committee The Member Training Programme ensures Members are aware of their responsibilities in decision making. This includes being sufficiently challenging and ensuring they have the appropriate level of support and information to enable them to make an informed decision. A register of all councillor training is held. The mandatory training delivered during 2020/21 was Corporate Parenting which was attended by all Members. It is the intention to refresh Member training and in late 2020 a meeting of Member Support and Development Advisory Group (MSDAG) helped shape the planning and content for the induction and training programme. The training will be rolled out after the 2021 local government elections. The Council has robust internal control: • An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor will be made to the Audit Committee at its July 2021 meeting. There were no exceptions to report. • Systems and processes for financial administration, financial control and protection of the Council's resources and assets are in place and these are continually reviewed to ensure they meet the Council's business requirements. These controls are clearly described in the Financial Regulations in the Constitution and the Council's Medium -Term Financial Management agreed by the Council in February 2021. In addition, a Going Concern Statement has been produced to provide additional assurance. • A new CIPFA Financial Management Code was published in October 2019. Local Authorities were

	Principles	Comment
		expected to implement the Code throughout the 2020/21 year with the first year of compliance expected to be 2021/22. Audit assurance has been provided confirming the Council has reviewed the financial management arrangements against the standards of the code and taken the required actions to ensure they are ready for compliance in 2021-22. • Effective internal control arrangements are in place. These include financial guidance, budgetary systems, monitoring systems, delegation arrangements, accounting procedures, information and systems governance and authorisation and approval processes. • An agreed governance framework has been set up for the replacement of the Human Resources and Finance System. The Corporate Select Committee have received reports on a regular basis. A project board and project team consisting of experienced officers and specialists, overseen by the Programme Director. A project management framework is in place and is supplemented by a third-party specialist acting as business change partner. The project is on track in terms of delivery timeframes to meet its implementation date of November 2021. • Annual accounts are published on a timely basis. • An effective internal audit function is resourced and maintained. • Risk management arrangements are effective. • An effective Audit Committee is in place. • Measures are in place to prevent, detect and investigate fraud and corruption. • The internal audit team is compliant with the relevant professional standards, namely the United Kingdom Public Sector Internal Audit Standards. From January 2017 these were updated and are now known as the International Standards for the Professional Practice of Internal Auditing. An external review was undertaken by CIPFA in May 2017. • Outstanding corporate high priority audit recommendations are followed up to ensure controls are put in place as soon as possible. A summary of the outstanding corporate high priority audit findings is reported to the Audit Committee. Executive Directors have confirmed there are processes in place to ensure the quality of data maintained or used as part

	Principles	Comment
		of the decision making. The Council had successfully implemented a plan for the General Data Protection Regulation (GDPR) introduced on 25 May 2018. Data sharing arrangements are currently being made more robust. To ensure financial sustainability the Council plans and manages its resources to ensure it can continue to deliver its services. We have strong public financial management. Responsible Budget Officers are responsible for managing their budgets effectively. At the end of every month financial information on expenditure is produced including forecast expenditure and the planned impact on earmarked reserves. Finance Monitoring Reports have been discussed monthly at Cabinet.
G	Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.	The Council ensures that it makes informed decisions and properly manages its risks. During the year the Council has published information, including reports, in a manner which is accessible to citizens and other stakeholders. The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames. Reporting on performance, value for money and stewardship have been included in the Annual Report, Statements of Accounts and Annual Governance Statement. The Audit Committee has considered matters of governance, including internal audit, risk management, anti-fraud and corruption, the annual statement of accounts, treasury management and external audit during 2021/22. An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor will be made to the Audit Committee at its July 2021 meeting. There were no exceptions to report. All Executive Directors have confirmed staff are aware of their responsibility to report upwards any unresolved matters of concern about internal control.

5.3 Active wholly owned Companies have completed assurance statements confirming the effectiveness of their governance framework. No concerns have been identified.

6. Review of Effective Action on Significant Governance Issues 2019/20

6.1 There were no significant governance issues reported in 2019-20.

7. Significant Governance Issues

7.1 There are no significant governance issues to report for 2020-21. The Council has a robust risk management function where corporate risks were managed through Cabinet and reported to the Audit Committee during the year.

Councillor Andrew Proctor Leader of the Council	Tom McCabe Head of Paid Service
5 October 2021	5 October 2021

Notes:

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

- Head of Paid Service
- Executive Director of Community and Environmental Services
- Executive Director of Adult Social Services
- Executive Director of Children's Services
- Executive Director of Finance and Commercial Services (Section 151 Officer)
- Director of Transformation
- Director for People
- Director of Governance
- Director of Financial Management

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

Head of Paid Service and Executive Director of Community and Environmental Services
Executive Director of Adult Social Services
Executive Director of Finance and Commercial Services
Executive Director of Children's Services
Director of Transformation on behalf of the Executive Director of Strategy and Governance

Appendix 1

External Reviews carried out during the year

	Comment
3	Finance and Commercial Services The overall key message in the external auditor's (EY) Annual Audit Letter (available on the Council Finance webpage Statement of Accounts 2019-20) was that an unqualified opinion was issued on the Council's accounts for 2019-20. The County Council was also given an unqualified 'Value for Money' opinion, within the Annual Audit Letter 2019-20. An independent review of the Council's Risk Management arrangements was conducted by Zurich Insurance and was reported in May 2021. The review concluded that the Risk Management principals were 'Embedded'. A number of recommendations were made to further strengthen the arrangements. Children's Services A remote peer challenge was reported in March 2021. It acknowledged Norfolk Children's Services had made significant progress and are well placed to make further improvement. There is an established, skilled and experienced senior management team, supported by many skilled, energetic and committed managers and staff across the organisation. Adult Social Services In December 2020, a Judicial Review of changes made to the council's charging policy found that Norfolk County Council had inadvertently discriminated against a group of people that the Court identified as severely disabled. The judgment described the discrimination as "unintended and unforeseen". It came about as the result of the interaction of a number of different charging and income disregard rules relating to certain individuals. In response the council swiftly accepted the judgment and agreed to put in place an interim amendment to the charging policy for non-residential care which established the Minimum Income Guarantee at £165, and ceased to take into account enhanced daily living allowance element of Personal Independence Payment. The amendment was backdated to July 2019 and financial adjustments to charging for those affected were made as soon as practicable. The Council apologised to people affected, and agreed to undertake a more detailed review of its charging policy as it related to disabled and 'severely disabled' people identified through this judgment, including further dialogue with individuals and the community on living costs, and including updating its Equality Impact Assessment.

	Comment
	Norfolk Safeguarding Adults Board (NSAB) produced an independent Safeguarding Adults Review (SAR) report on 9 September 2021 detailing their findings in respect of the deaths of three NHS patients placed within the private Hospital, Cawston Park. Alongside its finding, the report provides 13 recommendations. Of these recommendations, Norfolk County Council (NCC) is explicitly referenced in the following: b) Norfolk and Waveney CCG and Norfolk ASSD should review their commissioning arrangements to embrace "ethical commissioning" e) Norfolk and Waveney CCG and Norfolk County Council should transfer all its remaining patients from this Hospital. Please note Cawston Park Hospital closed in May 2021. l) Norfolk and Waveney CCG and the County Council should rebalance responsibility for Norfolk citizens away from "medical led admissions and social care discharges." The reform of the Mental Health Act (1983) should anchor discussions and agreements between these public authorities concerning ethical commissioning". Community and Environmental Services • **Customer Services:** Customer Service Excellence - (trademark of the Cabinet Office) reviewed the Customer Service Centre operation 4 March 2021 and awarded their quality mark. The service achieved the highest judgement of 'Compliant Plus' in a total of 21 areas, (up from previous highest of 16 areas in the review conducted 12 November 2019). • **Waste Services**: Data relating to waste and recycling performance was submitted to the Environment Agency and Defra for each quarter of 2019/20 in arrears, and following their audit processes the data was published on 03 March 2021 as part of the national data release go to https://www.gov.uk/government/statistical-data-sets/env18-local-authority-collected-waste-annual-results-tables • **NFRS**: Her Majesty's Chief Inspector of Fire & Rescue Services' (HMCIFRS) report to the Secretary of State under section 28B of the Fire and Rescue Services Act 2004. It contains assessment of the sector in England, based on the inspections carried out during 2020. Norfolk reports are published online. Go to State of fire and rescue annual assessment 2020 and select Norfolk.

	Comment
	• **Trading Standards**: An annual assessment by the United Kingdom Accreditation Service (UKAS), as the UK National Accreditation Body, is performed to confirm that the Trading Standards calibration laboratory is meeting the standards required to maintain its accreditation status. At the full reassessment performed by UKAS in June 2020, the assessment team were once again extremely complimentary of the services provided and confirmed that compliance and confidence in measurement is being achieved on a continuing basis. Therefore, accreditation was retained. An annual assessment by an ISO9001 certification body of the Trading Standards laboratory was performed during April 2020. Following confirmation that the requirements of standards and regulations were met on a continuing basis, certification was maintained. An annual assessment by representatives of the Secretary of State (BEIS) is performed to confirm that the Trading Standards laboratory's approved body – managed by Norfolk on behalf of the East of England Trading Standards Association Limited (EETSA) – is meeting the requirements of the appropriate UK legislation and normative documents. The assessment in March 2021 identified that requirements are being met on a continuing basis and therefore designation by the Secretary of State was maintained. An annual assessment was conducted in April 2020 by our nominated Radiation Protection Advisor (RPA) to ensure that controls the Trading Standards laboratory has in place, when using ionising radiation (IR), comply with the legal requirements of the IRR17. This provides the laboratory with consent to use IR within the Trading Standards' laboratory facilities at Hethel Engineering Centre. As part of its enforcement function, Officers of the Trading Standards Service are accredited on an annual basis by the National Crime Agency to conduct Financial Investigations. At the close of 2020/21 the national regulator has confirmed the accreditations of two Financial Investigators, three Financial Intelligence Officers and three Senior Appropriate Officers. An inspection of NCC by the Investigatory Powers Commissioners' Office (IPCO) took place on 18 August 2020. The inspection concerned the Council's use of surveillance powers and was carried out remotely, utilising MS Teams. The information provided satisfied the Inspector that the Council is operating within the requirements of the legislation and guidance in this area and this therefore removed the requirement for a physical inspection on this occasion. The annual inspection by the Sports Grounds Safety Authority (SGSA) was postponed in 20/21 due to the coronavirus pandemic. At its last inspection in December 2019 the SGSA found that the Council had carried out an effective discharge of its duties under the legislation.

Annex 2

Norfolk County Council

Statement of Accounts

20-21

Contents

Narrative Report

a) About Norfolk County Council

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

Norfolk County Council has 84 elected members each representing an electoral division of up to 10,000 voters. Every four years the people of each division elect one councillor. Throughout 2020-21 the Council was governed by a Conservative majority. The most recent election held on 6 May 2021 resulted in the Council remaining under Conservative control.

The Council is governed through a cabinet decision-making system and an executive leader. As well as the Cabinet, there is a Scrutiny Committee, three select committees, and the decision-making process is supported by a number of specialist committees, panels and working groups. Prior to May 2019 the Council had a Committee structure whose membership reflected the overall political makeup of the Council.

Throughout the year the Council's operational structure has been based on Executive Directors reporting to the Head of Paid Service. The directors lead the following departments:

- Adult Social Services
- Children's Services
- Community and Environmental Services
- Strategy and Governance
- Finance and Commercial Services.

Since 1 April 2021 the Strategy and Governance directorate split into the Strategy and Transformation directorate and the Governance department, reflecting the decision of the Council's Employment Committee on 3 November 2020. . The service structure and budget was based on a combined department in 2020-21, and for 2021-22 has been split to reflect the changes in executive director responsibilities.

b) Councils Performance 2020-21

Throughout 2020-21 everyone had to make many adjustments to their lives and work, and the Council was no exception. Huge changes have been implemented over the past few months to try to mitigate the impact of the COVID-19 pandemic on every aspect of our work and the services we provide.

As a Council, we have faced the challenges head on, working with all our partners to respond to the needs of our people and communities. Most importantly, this crisis has ensured that we work better together with those partners, joining up our resources to ensure our vulnerable people are protected and supported.

The Council has continued to provide the services that people need and which make a difference to their lives and their work in line with its vision which states: "We care about Norfolk and its people and are ambitious for them. We want to help make Norfolk to be the best it can, where people can live productive, independent lives, safely and in good health, for as long as they can. The Council will play a leading role in ensuring that Norfolk has a growing economy, thriving people and strong communities."

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

Growing our economy

Supporting businesses

Over the past year the Council has continued to support our local businesses through a number of grants and programmes:

- Helping over 658 businesses and 1,226 individuals by supporting new apprenticeships and helping small and medium businesses, in the sectors most affected by COVID-19, to provide employees with new skills and support.
- Working with partners to secure £17m for Norfolk, benefitting projects such as the Offshore Wind Operations & Maintenance base, the business incubator units at Great Yarmouth and a Food Innovation Centre; paving the way to create future, high skilled jobs in Norfolk.
- We completed the £9m LEADER programme delivering over 200 projects that created jobs, helping rural businesses and community groups to grow, and supporting our rural economy.
- Our successful Go Digital programme, launched in November 2020, provides one-to-one consultancy and business vouchers. We helped 40 micro, small and medium sized businesses to do more with digital and are exploring ways to scale up further.
- We continue to support low carbon business developments and reducing greenhouse gases through the Low Carbon Innovation Fund 2 programme, which will to invest £11m in Norfolk, Suffolk, Hertfordshire and Cambridgeshire for developments that make measurable reductions.

Strong infrastructure

We continue to invest in infrastructure, where it is needed, to improve the economic status of our county.

- In November 2020, the Council secured Government approval for the vital funding needed to build and operate the £120m Great Yarmouth Third River Crossing, a crucial new lifting bridge across the River Yare in Great Yarmouth. The bridge will ease traffic congestion on the town's roads, shortening journey times and improving journey reliability. Construction began in early 2021, with the bridge scheduled to be open for use in early 2023.
- We have secured two lots of funding, £0.3m and £1.5m, from the Government's Active Travel Fund to facilitate social distancing measures to help pedestrians; assist our businesses to safely reopen, and to deliver significant walking and cycling infrastructure.

Good connectivity

We continue to invest in digital infrastructure and in improving the coverage across the County, for households and businesses alike.

- We successfully bid for £2m in investment from the Department for Rural Affairs (DEFRA), to enable Full Fibre connections to around 400 Norfolk rural businesses, expected to complete in 2021.
- We have started work to build new future-proof Fibre-to-the-Premises (FTTP) technology, where fibre is laid all the way from the exchange to people's front doors, and 5G has now gone live in Norwich on the O_2 Network.
- We successfully rolled out the largest free public sector Low Range Wide Area Network (LoRaWAN) pilot in the UK, covering Norfolk and Suffolk, which enables individuals, entrepreneurs and businesses to prototype 'Internet of Things' technologies and sensors. With 52 of the 110 'gateways' now in place, Norfolk has the largest free to access public sector IoT network in the UK. This was instrumental in the County Council winning the Best-Connected Digital County award.

Skills for now and for the future

As well as support to businesses, the voluntary sector and individuals during the pandemic, we have continued to support adult learning and skills development in a number of ways.

- We continue the vital work to promote careers in Norfolk particularly in the emerging sector growth areas as well as opportunities at all levels and for all people who want to work.
- We have implemented a new Information, Advice and Guidance Strategy, with a branded 'Let's have a conversation' guidance approach, which helps the service to get to know our learners better.
- We continue our work to create more new apprenticeships, by working with local businesses and the education sector. Our Apprenticeships Team has worked collaboratively with various employer forums such as the Chamber of Commerce as well as the LEP and other sector skills groups to develop a curriculum offer aligned to the needs of businesses in Norfolk.

We have approximately 170 apprentices on programme, primarily in the business and education sectors. In addition, the Norfolk Fire and Rescue Service was one of the first to adopt the apprenticeship scheme to train their new recruits.

Being Commercial

Alongside Norse, which is owned by Norfolk County Council, and provides a range of services locally and nationally, including facilities management, property services and residential care homes, the council also owns Repton Property Development and Hethel Innovation Limited (HIL).

The work of HIL has continued to focus on supporting inclusive economic growth and delivery of the associated economic opportunities to benefit Norfolk communities. Through HILs two Enterprise Parks based at Scottow and Hethel, and a range of programmes providing tailored support, HIL have directly supported over 60 start-up businesses and over 150 other business tenants, delivering over 400 jobs to the Norfolk economy.

Repton Property Developments Limited is the Council's property company, delivering our ambitious vision of developing high-quality housing in Norfolk. The Company has identified opportunities to develop existing Norfolk County Council owned assets with the potential to create in excess of 600 residential properties including 240 affordable dwellings. Construction of 137 homes in Acle has begun, and planning permission for a second site of 200 homes has been approved.

Thriving People

Improving educational outcomes for all children

The quality of education in Norfolk continues to improve and is now in line with national averages.

- We have supported schools with their remote learning offer and curriculum, helping children to continue to learn when they couldn't attend school and giving practical advice to teachers with more than 50 teaching support videos.
- We have provided a range of guidance and advice to schools to support them to stay open to vulnerable children and the children of critical workers throughout the pandemic and continued to provide health and safety guidance to help prevent infection and keep children and staff as safe as possible.
- We have actively monitored the attendance of every vulnerable child known to our social care teams to ensure they stay safe, well and learning.
- Our Every Child Online campaign has seen 5,065 devices donated to children and young people across the county to support their learning at home.

Our Inclusion team has continued to support the reduction in the number of pupils permanently excluded. We have also strengthened our inclusion offer to respond to the increased referrals to the Inclusion Team since September

2020, which reflect the strain on emotional wellbeing caused by the pandemic and the challenges of re-integrating into school life post-lockdown.

We have worked with key partners and stakeholders to deliver an increase in the percentage of 16 and 17-year olds who are in education, employment or training, and an increase in the percentage of students studying A Level and equivalent vocational qualification.

Our Virtual School for Children in Care has continued to monitor and champion education for those in our care. We have responded to COVID-19 by adapting our practice but not our ambition for all children and young people within the Virtual School.

We have continued to create more school places in good and outstanding schools in areas experiencing housing development.

Supporting children with special educational needs and disabilities

Norfolk County Council is investing £120m in creating more than 500 school places for children with special educational needs and disabilities, including hundreds of places in Specialist Resource Bases (SRBs) in mainstream schools.

- We are on track with our plans to build and open three new special schools in Fakenham, Great Yarmouth and Easton, Norwich.
- We are expanding Norfolk's current Good and Outstanding special schools where they have space to add further classrooms.
- We have launched our redesign of Special Resources Bases for pupils with social, emotional, and mental health difficulties with the new bases opening in September 2021.
- We have seen a steady improvement in completing new referrals for education, health and care plans, and continue to invest in this area.

Personal Education Plans for children in care

Personal education plans continue to improve in quality and compliance.

- We have seen a continued trajectory of improvement based on feedback from all partners and informed by audit and with children and young people at the centre.
- We continue to work to ensure that the children and young people in our care attend the school or setting which meets their needs, whether it is their local school or a more specialist setting.
- The introduction of a dedicated team ensures that all children, including those who may face additional challenges, have the education offer to which they are entitled.

Early help for children and families

Throughout the past year, we have continued to invest in early help and prevention, working to support and equip families to deal with challenges as they arise and before they reach crisis point.

- Our Early Childhood and Family Service (ECFS), launched in October 2019, has supported more than 1,250 families with individual support. By the start of December 2020, the ECFS Family Support Fund had provided £184,000 of additional support to families, including more than £50,000 to support those with increased needs due to the pandemic.
- A network of more than 30 Family Network Champions has been developed and we have invested in early help so that parents can build on their support networks, such as their extended family and friends, to help their children to thrive.
- We have built a 'team around schools and settings' approach to support a joined up early response to safeguarding and emotional wellbeing, so that children get the help before they reach crisis point.

- We are building on collaborative work done to establish the multi-agency community-based hub model across each of the seven district areas. These hubs played a critical part of the local response to COVID-19, supporting residents with emergency food needs and proactively contacting in excess of 40,000 people on the extremely vulnerable people list.
- We supported over 10,000 people in Norfolk through our COVID-19 Winter Support programme, which brought together national and local funds in a coordinated offer to ensure that vulnerable people don't go hungry during the winter.
- We implemented the Norfolk Vulnerability Hub, a cross-organisation system which has helped us to work together to promptly identify and support those affected by the pandemic.

Children's social care

Our social care delivery model has been significantly reshaped, including introducing a new front door into our services, which means we are now providing the right response to families first time and reducing unnecessary referrals to our teams.

We launched the Intensive and Specialist Support Service, which meets the needs of families earlier by creating an enhanced "team around the family" and minimises the need for more specialist support.

- We have strengthened support to children and families at the edge of care and enabled social workers to focus more readily on the quality rather than quantity of their work.
- We are continuing our pioneering new intensive therapeutic Stronger Families service to support families to stay together.
- Our interventions over the past year have resulted in 189 fewer children in care (excluding unaccompanied asylum-seeking children)
- We have tripled the number of unaccompanied asylum-seeking children (UASC) we support over the past year, building a highly effective relationship-based service. We were invited by the Home Office to share our best practice and learning.
- We have invested a further £1m to strengthen our offer for vulnerable adolescents – by implementing a new Targeted Youth Support Service in February 2021.
- We have been successful in securing £5m of Department of Education (DfE) funding to enable the development and implementation of the No Wrong Door model in Norfolk supporting our vision to reduce the number of looked after Norfolk Children.
- We have continued to develop new high-quality semi-independent care provision across 2020 to improve the sufficiency and quality of accommodation available to our children in care aged sixteen to seventeen years of age.

Children and young people's mental health

We are transforming children's mental health services to improve access and an earlier delivery of support.

- We have worked with other agencies, children, young people and their families, we are moving away from a focus on illness and diagnosis towards health and emotional well-being, based on the nationally recognised THRIVE framework. This will enable us to better support children and young people to have good mental health and wellbeing, reduce the negative effects of emotional and mental health difficulties, and improve their transition into adulthood.
- We have simplified access into our services and improved our online and telephone resources to ensure that children, young people and their families don't need a medical referral to get advice and support.
- We have also started joint triage meetings with partners to help direct children and young people to the right support as quickly and efficiently as possible, particularly in the light of COVID-19.

- We secured funding from Department for Education to pilot Mental Health Support Teams to work with schools (8,000 pupils) complementing the work already being done and providing a range of support such as talking therapy and group support, as well as staff consultation and help for parents.

Creating opportunities for employment

We continue to support working age people with learning and physical disabilities to access the right employment opportunities.

- We have launched ‘Chances’ a £4.9m project with the twin aims of helping people to get back into work and to support people that may find it difficult to work due to their health. Working in partnership with Voluntary Norfolk, Norfolk Citizens Advice, Citizens Advice Diss, Thetford and District, and Future Projects, Chances will provide tailored support for people who may be long term unemployed, facing barriers to finding work, and those who have become unemployed as a result of the COVID-19 pandemic.
- We launched our new Preparing for Adult Life service to support young people with special educational needs and disabilities from the age of 14, as they are preparing for adult life. Since its launch the team have worked with 280 young people on four key outcomes: gaining education and employment; being part of their community; being healthy; and, living independently.
- We rolled out the Norfolk Employment Service in July 2019 and over the past year we have supported 115 people with disabilities, autism and/or mental health problems into volunteering, training or education opportunities, work experience, and paid work.
- The Skills & Employment Team (SET) was launched in May 2019. Although the team have been re-deployed to provide an essential role in keeping day services support to people throughout the pandemic since April 2020, SET has signed up 18 new employers to Disability Confident Scheme.

Investing in Appropriate Housing

Appropriate housing available in the right locations, at the right time and with the right characteristics is essential to fulfilling our vision of keeping people independent. Last year, we agreed to invest £29m to expand the provision of Independent Living accommodation in Norfolk over the next ten-years.

- Since the launch of this programme, we have announced two new schemes: Meadow Walk, a 66-apartment independent living scheme in North Fakenham opened in Spring 2021; and, a 58-apartment independent living scheme in Acle planned to be open by Summer 2022.
- We also launched a new website http://www.norfolk.gov.uk/independentliving to promote this programme of work, alongside the benefits of Independent Living.

A better offer to carers

Our Carers’ Charter was launched a year ago to help strengthen support for the 99,000 informal carers in Norfolk, and we want to reach out to more of those carers who might need support to improve their lives and those they care for. Launched in September 2020, the improved service from Carers Matter Norfolk includes:

- A single joined up service to carers in Norfolk that will help improve the quality and number of services for carers. This reflects feedback from carers that services were not sufficiently joined up previously.
- A more flexible service that can better respond to individual carer needs.
- A better understanding of carers, including the potential issues they face and the factors that lead to breaking point. This will help to improve and maintain good wellbeing.
- A health and wellbeing fund of approximately £150 per carer to support them when they need it.
- A short breaks service for carers who need a break from their caring role.

Strong communities

Transport

We continue to improve our transport system, enabling people in Norfolk to better connect across the county:

- Central to delivery of our Local Transport Plan priorities is the Transforming Cities programme, from which we secured £59m for sustainable transport, including a £32m allocation to the County Council.
- We have submitted our priority transport schemes to government. These include Norwich Western Link, West Winch Housing Access Road, Long Stratton Bypass and the A47/A17 Pullover Junction at King's Lynn. Each of these is key to our economy as they unlock housing and jobs. A Strategic Outline Business Case has been approved and submitted to the government for the West Winch Housing Access Road. We have also received government funding to complete the outline business case for Long Stratton and the Norwich Western Link.

Public health

Public Health has played a critical role throughout the pandemic, preparing for people, businesses and communities to go about their normal daily lives as safely as possible whilst the COVID-19 pandemic remains. The Director of Public Health has led the county's Outbreak Management Plan bringing together Norfolk County Council, all the seven district Councils, the NHS Clinical Commissioning Group, emergency services and other partners to promote preventative measures, monitor COVID-19 cases in the county and taking action to prevent their spread.

Our critical public health services for children (health visitors) and adults (alcohol & drug treatment & recovery and sexual & reproductive health services) have also continued to provide care and support to the people of Norfolk throughout the pandemic.

- We have created new ways for people to access our services and to receive advice, support, and care through a range of digital solutions, where appropriate. This has meant that those most vulnerable have still been able to receive face-to-face care whilst keeping the risk of COVID-19 transmission low.
- Within the first few weeks of lockdown, the healthy child programme, already at the forefront of digital innovation, offered up its Just One Norfolk digital platform to the county council and others, providing invaluable advice and guidance to schools and parents on COVID-19 and supporting families through trying times at home.
- Our alcohol and drug service has been actively engaged with front line organisations to support some of the most vulnerable in society, coordinating the receipt and despatch of PPE for organisations supporting rough sleepers; setting up a home delivery service for prescribed medicines and the exchange of needles, supporting pharmacies through an out-of-hours helpline run by a consultant pharmacist; and working with the prison service to develop a virtual mentor scheme for those close to release, so that initial engagement and support can be offered beforehand.
- Our sexual & reproductive health service has moved to a telephone first triage system and expanded their online offer, meaning a greater number of people have been able to undertake STI testing at home.

Keeping people safe

We continue to work tirelessly across Norfolk and with partners to keep our residents safe.

- Our Fire Service responded to 1,067 calls and 571 incidents in support of residents affected by the flooding in December 2020.
- We have reviewed and relaunched Norfolk's Multi-Agency Protocol on Hate Incident Reporting which sets a consistent standard for tackling hate incidents in Norfolk, to make it easier for people (particularly residents with care and support needs) to report hate incidents. So far, 275 Norfolk County Council and public agency staff have been trained to report hate incidents.

- Since March 2020, our Trading Standards Service has worked closely with several agencies to provide advice and support to businesses and the public on business closure, business restrictions and self-isolation legislation, introduced to control the spread of the coronavirus. In the period 1 February 2020 to 31 January 2021, we received over 11,500 consumer complaints, and handled 805 requests for advice and support from businesses. We have expanded our No Cold Calling Zone (NCCZ) scheme with 18 new zones, covering 12,012 households. Despite the severe constraints on the court service, we had four successful prosecutions during the year related to rogue builders, illegal tobacco sales and horse welfare.

Norfolk Libraries

When Libraries and mobile libraries were closed for lockdowns, library staff stepped up to support the community. The pandemic highlighted the role of libraries in keeping communities connected and in supporting the most vulnerable. Library staff were at the forefront of managing the county's volunteer response in Spring 2020.

There was a growth in the library digital offer including a massive uptake in the use of e-books, e-audio books, e-magazines and e-newspapers, plus activities normally held in libraries swiftly moved online including rhyme times, reading sessions for children and adults, author events, school readiness programmes, craft activities, code clubs and just a cuppa. Library staff have helped people learn the skills to get online.

We have telephoned more than 36,000 people to offer a listening ear and extra help if needed since January 2021 and in March 2021 libraries became places to collect Lateral Flow Test kits.

Norfolk Museums

Despite the recent challenges of COVID-19, Norfolk Museums Service continues to deliver a comprehensive countywide museums service to all our communities, including distributing 'Art Parcels' to families across the County, and developing high-quality digital learning materials for schools and community groups.

- We launched the award winning 'Kick the Dust' programme, supported by the National Lottery Heritage Fund, which has helped hundreds of young people aged 16-25 learn new skills.
- We have worked closely with national partners to bring artefacts and works of art of national and international importance to the County, including the acclaimed Vikings: Rediscover the Legend.
- With generous support from the National Lottery Heritage Fund and the Art Fund we acquired Walton Bridges by JMW Turner, a magnificent early work by one of Britain's most famous artists.
- We have started construction work on our flagship project, Norwich Castle: Royal Palace Reborn.
- The Museum Service's extraordinary tapestry volunteers have already contributed more than 13,000 hours to the creation of the Friends of the Norwich Museums Tapestry. This 18m long work tells the story of Norwich and Norfolk following the Norman conquest. It will be displayed in the recreated King's Chamber in the transformed medieval Keep.

Norfolk Arts

The NCC Arts Grants budget has supported 17 key arts organisations which contribute to the delivery of Together, for Norfolk priorities and outcomes.

- Norfolk currently has 7 Arts Council England 'National Portfolio Organisations', a designation awarded to reflect their national cultural leadership role and status. These include Norfolk and Norwich Festival, Curious Directive, Norwich Arts Centre, National Centre for Writing, Seachange Arts and Creative Arts East.
- We continue to act as a strategic lead for the New Anglia LEP Cultural Board providing leadership for inclusive economic growth programmes such as StartEast, a £1.2m creative enterprise business support initiative to deliver bespoke business guidance. 69 grants were awarded to support creative enterprise development across Norfolk and Suffolk.

Norfolk Record Office

The Norfolk Record Office offers a comprehensive archive service to the people of Norfolk and beyond.

- During the period Norfolk Record Office continues to deliver a number of nationally-important projects, including the National Lottery Heritage Fund supported ‘Unlocking Our Sound Heritage’ led by the British Library, and the award winning ‘Change Minds’, a multi-partner project supporting people with mental health conditions.
- An ambitious and comprehensive digitisation programme is continuing within the Service, with the aim of providing even better access to the Norfolk Record Office’s nationally important archives and historic collections.

Protected environment

In autumn 2019 Norfolk County Council launched a new Environmental Policy to align the County’s strategy with that of the Government’s 25-year Environment Plan, led by the Department of Environment, Food & Rural Affairs (DEFRA). Within this ambitious new plan are robust climate change targets that look to address the Council’s own carbon footprint and aim to set the County on a path to carbon neutrality by 2030.

- We produced a Pollinator Action Plan which will ensure that we manage our assets and operations in such a way that they are more pollinator friendly.
- We developed a Tree and Resilience Strategy, which will help provide strategic support to our commitment to the planting of ‘1 million trees’ across the County over the next 5 planting seasons. The Council has committed a significant budget to bring forward actions to deliver on its climate change commitments and a cross party ‘Member Oversight Group’ continues to give a strong political steer to this high priority programme of work.
- We developed a Water Resources Management Plan for the County, to be undertaken by Water Resources East, which will ensure we use this precious resource wisely, as one of the driest parts of the country and in light of climate change and the Council’s Environment Policy ambitions.

c) Financial Performance 2020-21

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2020-21 was £430.4m, equal to the Council’s share of Council Tax receivable during the year. The net budget remained unchanged throughout 2020-21.

The final outturn position for the year against the revised budget is set out in the table below. At the end of the year the revenue outturn for 2020-21 was a balanced budget after transferring £4.1m to the general fund.

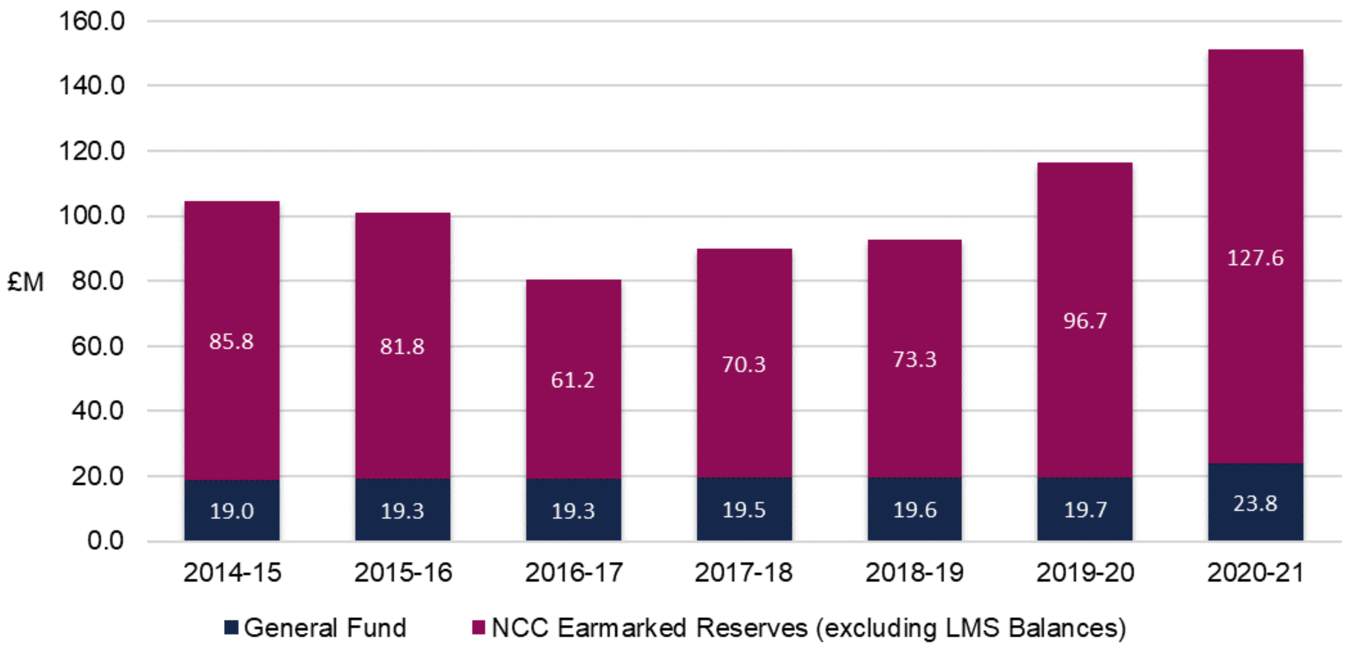
These results are based on the service responsibilities as reported to Cabinet, rather than the total cost of delivering services, (including apportionment of support services and adjustments to show the full cost of offering pensions to employees), which is used in the Comprehensive Income and Expenditure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

Service	Revised Budget £m	Net (under)/ over spend £m	Net (under)/ over spend %
Adult Social Services	258.075	0.322	0.1%
Children's Services	199.273	(0.007)	0.0%
Community and Environmental Services	173.372	(0.024)	0.0%
Strategy and Governance	9.433	(0.028)	(0.3)%
Finance and Commercial Services	45.817	(0.019)	0.0%
Finance General	(255.549)	(0.244)	0.1%
Totals	430.421	**(0.000)**	0%
Transfers to General Fund within year		4.057	

Within the net underspend have been significant financial pressures identified across all services due to the impact of the COVID-19 pandemic, in particular the Council's response throughout 2020-21 supporting the residents of Norfolk. These financial pressures have been balanced by additional government grants and underspends in other service areas.

Earmarked reserves

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



Reserves increased during 2020-21, continuing a medium-term trend despite challenging budgets in recent years. The increased earmarked reserves at 31 March 2021 is mainly due to a proportion of COVID-19 related government grants, received in 2020-21, which have been placed into business risk reserves or carried forward in specific grant reserves in order to mitigate the impact of on-going spending and to continue the public health response as a result of the COVID-19 pandemic.

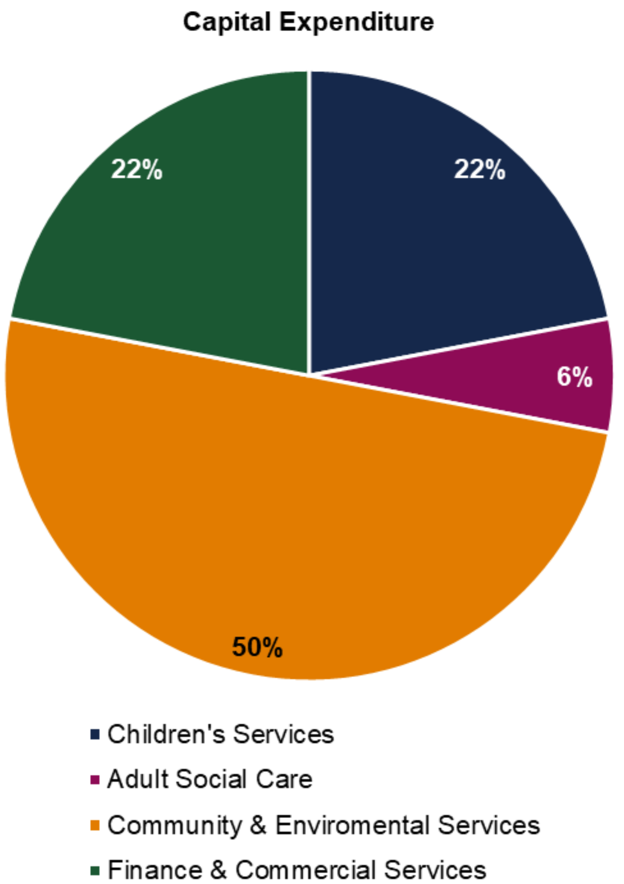
General fund

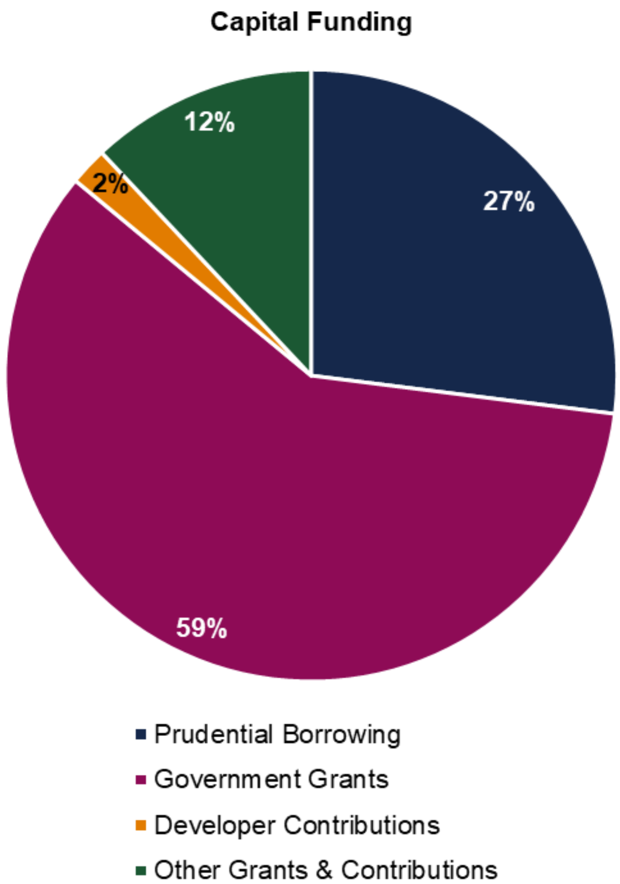
The net outturn underspend for 2020-21 transferred into the General Fund. During 2020-21 movements on the General Fund balance were as follows.

	£m
General Fund Reserve at 31 March 2020	19.706
Transfers during 2020-21	4.057
General Fund Reserve at 31 March 2021	**23.763**

Capital Budget and Spending

Capital expenditure totalled £219.5m in 2020-21: this was a significant increase compared to the £177.6m spent in 2019-20 mainly as a result of increased highways capital expenditure including the Great Yarmouth third river crossing, and additional investment in the Council's property estate. The following charts show capital expenditure by service and by funding source.





The County Council approved a capital budget in February 2020, with £283.1m related to 2020-21 and £260.2m to later years. Re-profiling from 2019-20 and subsequent funding announcements were added to the programme. After adjusting for items re-profiled into 2021-22, plus further accounting adjustments, the final 2020-21 programme budget and expenditure was £219.5m. The main external sources of finance were government grants (£125.3m), contributions from developers (£5.4m), contributions from the Local Enterprise Partnership (£2.5m) and a commercial contribution in respect of next generation broadband access (£3.2m). Projects nominally funded by prudential borrowing totalled £75.5m, while actual borrowing during the year to fund previous capital temporarily funded by internal borrowing totalled £50.0m.

The Council achieved net capital receipts from sales of property totalling £5.2m plus £3.6m from the repayment of loans and dividends treated as capital receipts. Capital receipts in 2020-21 have been used or set aside to enable the Council to directly re-pay maturing debt, or to fund future capital expenditure.

Major projects completed during 2020-21 included:

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

Project	**Completion**	**Value**
North Denes Primary	New 2 form entry building	£8.8m
Trowse Primary	New 1 form entry building	£6.4m
Greenpark Avenue Primary, King's Lynn	New 2 form entry building	£11.3m
Hethersett Woodside Primary	New 2 form entry building	£8.5m
Hethersett Academy	New classroom block	£8.2m
Wymondham High	Dining extension	£4.0m
Hethersett CE VC Primary	New 8 classroom block	£4.6m

- **Other**: significant one-off projects underway in 2020-21 include the Great Yarmouth Third River Crossing, a Human Resources and Finance systems replacement project and significant capital maintenance and improvement of County Hall. Major on-going works included the programme improvements to the school estate, SEND provision, Better Broadband for Norfolk, and highways capital maintenance.

Borrowing

The County Council borrows in the long term to finance capital expenditure, and in the short term to smooth cash flow requirements of the Council on a daily basis. The principal source of long term borrowings is the Public Works Loans Board.

At 31 March 2021, the Council's external borrowing totalled £749.3m, including £50.0m borrowed in 2020-21 to support prior capital expenditure temporarily funded by internal borrowing. To put the level of debt in context, the depreciated balance sheet value of the Council's land, building, infrastructure and other property, plant and equipment is over £1.7bn.

Loan principal amounting to £5.0m is due to be repaid within one year. The Council's treasury management strategy anticipates borrowing of up to £110m in 2021-22, made up of £80m assumed in the 2021-22 Treasury Management Strategy, and £30m borrowing allowed for in the 2020-21 strategy which was deferred into 2021-22 in response to higher than expected cash balances.

Future capital programme

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

Grants and contributions from central government, developers and other sources have traditionally funded significant proportion of capital expenditure, in particular mainstream schools and highways maintenance. Other schemes such as office refurbishments, SEND provision and ICT infrastructure rely on prudential borrowing.

2021-24 Capital Programme by Service	**£m**	**2021-24 Capital Programme Funding**	**£m**
Adult Social Services	57.6	Prudential borrowing	491.9
Children's Services	252.9	Government grants	127.6
Community & Environmental Services	229.4	Developer contributions	34.3
Finance & Commercial Services	120.8	National lottery	6.4
Strategy and Transformation	0.4	Other	0.9
Total	661.1	**Total**	661.1

Pensions Deficit

The accounts reflect the underlying commitment that the Council must pay future retirement benefits for its employees, as needed by IAS 19. As a result, the Council's Balance Sheet includes the estimated pension liability, measured on an actuarial basis, effectively reducing the Net Assets of the Council by £1.6bn.

The pension fund deficit does not represent an immediate call on the Council's reserves but provides a snapshot at 31 March 2021, with the value of assets and liabilities changing daily. There is a neutral impact on the Council's Comprehensive Income and Expenditure Statement reported for the year as use of the pensions reserve reverses the effect of IAS 19.

Provisions

At the end of the financial year, the Council's provisions stood at £25.6m, including self-funded insurance provisions and provisions in respect of potential appeals on Business Rates administered by the District Councils. Provisions for bad debts totalling £5.5m are set off against receivables in the statement of accounts. Of the provisions, £12.6m are not cash backed as they relate to an asset backed landfill provision.

d) Outlook for the future

The process of budget setting for 2021-22 has been dominated by the response to the COVID-19 pandemic. Throughout the preparation of the 2021-22 Budget we remained in a climate of significant uncertainty, both in terms of the further course of the pandemic and its wider financial ramifications, and in relation to the underlying financial environment in which we operate. The 2021-22 Budget has accordingly been designed to ensure that the Council is best placed to respond to the far-reaching impacts of coronavirus in Norfolk, with the maximum possible financial flexibility provided to enable us to react to emerging cost and income pressures through the year. However, while the COVID-19 pandemic may have brought a particular focus to this year's Budget setting, as always, our Budget strategy has also been directly informed by the Council's priorities as set out in the Together for Norfolk plan, which helps to ensure that all of our resources are focussed on the delivery of the Council's key objectives. In setting the Budget, the Council agreed a council tax increase of 3.99% (1.99% general and 2% for the adult social care precept) for the year. In addition, Council chose to defer a further 1% increase available on the adult social care precept to 2022-23. This means the increase in 2021-22 is below the 5% threshold set by Government, which is sensitive to the significant pressures being faced by many local taxpayers, while still ensuring the Council is financially resilient and has the resources necessary to lead the local recovery from the pandemic. The deferred 1% precept will help to support setting a balanced budget in future years and enables the Council to maximise locally raised resources.

The County Council's response to COVID-19 has had a significant impact on both organisational priorities and ways of working. In order to deliver our future budget plans, it will be essential that we seek to capitalise on the opportunities that these changes have presented to deliver transformational improvements in how the Council operates, preserving those which enhance flexibility and productivity while returning to business as usual in some areas where appropriate. The Council's 2021-22 Budget plans, and our well-established financial processes and arrangements, provide a robust foundation on which the recovery in Norfolk can be built. The 2021-22 Budget offers flexibility to respond to the pandemic and, as usual, any changes in budget assumptions will be reflected in the regular financial monitoring during the year and will subsequently be considered as part of 2022-23 Budget planning activity.

The short term impacts of coronavirus have undoubtedly been profound, and it remains to be seen precisely what the medium and longer term impact will be. Nationally, forecasters predict a permanent economic impact from coronavirus and the full implications of this for Government spending plans and ultimately for Council funding in 2022-23 and beyond remain to be confirmed. A major area of focus will be whether adequate emergency funding to respond to COVID-19 has been provided for 2021-22 compared to 2020-21. Councils will continue to play a vital role in maintaining critical social care and other frontline services; enabling education and early years providers to provide care and education for key workers and vulnerable children; supporting businesses and individuals suffering hardship; and supporting the National Health Service.

As in previous years, the Council's Capital Programme for 2021-25+ includes essential investment in the provision of vital infrastructure and supports the delivery of our future budget strategy. The programme includes major projects such as: Living Well - Homes for Norfolk; SEND transformation programme; Great Yarmouth Third River Crossing and Norwich Western Link. New schemes added in the 2021-22 Budget totalled £102.0m and include: children's residential homes (£4.0m), supported housing for young adults (£11.5m), improvements to greenways, footpaths and trails (£3.0m), and significant funding for new replacement libraries (£4.0m).

There can be no doubt that the Council faces significant challenges in 2021-22, including material savings to be achieved across the organisation. Beyond the immediate impacts of coronavirus, the overall level of uncertainty means that the financial environment for local government remains extremely challenging. A range of significant planned reforms for local government continue to be delayed, representing a major concern for the Council in developing its Medium-Term Financial Strategy. The budget gap to be closed in future years is also subject to substantial uncertainty and there are several issues which could impact on the resources available to Norfolk County Council to deliver services. The setting of a sustainable and balanced Budget is therefore of vital importance to enable the Council to continue to deliver the critical services which are so important for all Norfolk's people, businesses and visitors but the Council is confident that with a collective effort we can deliver the 2021-22 Budget and continue to secure a resilient and robust financial position into the future.

e) Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position at 31 March 2021. They include core and supplementary statements, together with disclosure notes. These financial statements for 2020-21 are set out following the **CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020-21**, which is based on International Financial Reporting Standards (IFRSs).

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

The Core Statements are:

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

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

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

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

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

The Supplementary Statements are:

- The **Group Accounts** sets out the income and expenditure for the year and financial position at 31 March 2021 of the Council and any companies or other organisations, which the Council either controls or significantly influences. The Council reviews its interests in companies and other organisations annually to decide which to include in the Group Accounts for 2020-21.

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

- With recent turnover at over £300m, Norse Group is itself a large group supplying facilities management, property consultancy and care services to both public and private sector clients throughout the UK.

- Independence Matters CIC is a ‘spin out’ social enterprise launched by Norfolk County Council in 2013, with over 600 staff transferring from the Council’s Personal and Community Support Services. Turnover for the year is over £18m.

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

• The **Norfolk Firefighters Pension Fund Accounts** shows the operation of the Norfolk Firefighters Pension Fund administered by West Yorkshire Pension Fund for the Council’s own firefighter employees.

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

The Statement of Accounts for the County Council includes the main financial statements of the pension fund. Consequently, the Statements of Assurance cover both the County Council and the Pension Fund. Details of the Norfolk Pension Fund accounting statements are on 130 to 198. Copies of the full annual report for the pension fund are available on the Norfolk Pension Fund website (https://www.norfolkpensionfund.org/about-us/forms-and-publications/).

f) Further information

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

Further information relating to this report can be found in the financial statements which follow and in Norfolk County Council’s Budget Book 2021-25 https://www.norfolk.gov.uk/what-we-do-and-how-we-work/our-budget-and-council-tax/our-budget/our-budget.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Commercial Services;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Executive Director of Finance and Commercial Services' Responsibilities

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

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

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

The Executive Director of Finance and Commercial Services has also:

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

Certificate by the Executive Director of Finance and Commercial Services

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and that of the Pension Fund at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Simon George
Executive Director of Finance and Commercial Services
Date:

Certificate by the Chair of the Audit Committee

I confirm that these accounts were approved by the Audit Committee at its meeting on 14 October 2021 on behalf of Norfolk County Council and have been authorised for issue.

Cllr Ian Mackie
Chair of the Audit Committee
Date:

Independent Auditors' Report to the Members of Norfolk County Council

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

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Comprehensive Income and Expenditure Statement

2019-20 Gross Expenditure £000s	2019-20 Gross Income £000s	2019-20 Net Expenditure £000s		2020-21 Gross Expenditure £000s	2020-21 Gross Income £000s	2020-21 Net Expenditure £000s
			Continuing Services:			
459,885	137,282	322,603	Adult Social Services	506,509	178,399	328,110
589,475	322,724	266,751	Children's Services	600,566	338,823	261,743
278,678	102,818	175,860	Community and Environmental Services	287,582	117,748	169,834
16,920	5,589	11,331	Strategy and Governance Services	15,602	3,595	12,007
61,582	19,176	42,406	Finance and Commercial Services	65,346	16,130	49,216
26,914	8,703	18,211	Finance General	22,715	6,213	16,502
(21,148)	0	(21,148)	Non-Distributed Costs	(721)	0	(721)
1,412,306	**596,292**	**816,014**	**Cost of Services**	**1,497,599**	**660,908**	**836,691**
		35,877	Other Operating Expenditure (Note 6)			17,837
		62,908	Financing and Investment Income and Expenditure (Note 7)			59,503
		(817,230)	Taxation and Non-Specific Grant Income (Note 8)			(871,334)
		97,569	**(Surplus) / Deficit on Provision of Services**			**42,697**
		(25,024)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			14,581
		(381,556)	Re-measurements of the net defined benefit liability			391,925
		(406,580)	**Other Comprehensive Income and Expenditure**			**406,506**
		(309,011)	**Total Comprehensive Income and Expenditure**			**449,203**

Movement in Reserves Statement

	General Fund Balance* £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves of the Council £000s
Balance at 31 March 2019	**94,978**	**413**	**83,429**	**178,820**	**(496,413)**	**(317,593)**
Movement in Reserves during 2019-20						
Total Comprehensive Expenditure and Income	(97,569)	0	0	**(97,569)**	406,580	**309,011**
Adjustments between accounting basis & funding basis under regulations (Note 16)	111,699	934	(524)	**112,109**	(112,109)	**0**
Increase / (Decrease) in Year	**14,130**	**934**	**(524)**	**14,540**	**294,471**	**309,011**
Balance at 31 March 2020	**109,108**	**1,347**	**82,905**	**193,360**	**(201,942)**	**(8,582)**
Movement in Reserves during 2020-21						
Reclassification of DSG reserve to Unusable reserve	19,703	0	0	**19,703**	(19,703)	**0**
Total Comprehensive Expenditure and Income	(42,697)	0	0	(42,697)	(406,506)	**(449,203)**
Adjustments between accounting basis & funding basis under regulations (Note 16)	82,284	5,101	(2,594)	84,791	(84,791)	**0**
Increase / (Decrease) in Year	**59,290**	**5,101**	**(2,594)**	**61,797**	**(511,000)**	**(449,203)**
Balance at 31 March 2021	**168,398**	**6,448**	**85,779**	**255,157**	**(712,942)**	**(457,785)**

* Note that the General Fund forms the Council’s General balances together with earmarked reserves. Details of movements in these reserves are shown in Note 27 on page 63.

Balance Sheet

31 March 2020			31 March 2021
£000s		Note	£000s
1,657,672	Property, Plant & Equipment	18	1,696,205
13,294	Heritage Assets	19	13,294
22,100	Investment Property	20	25,959
1,787	Intangible Assets		1,089
18,435	Long Term Investments	21	18,689
73,642	Long Term Debtors	22	67,695
1,786,930	**Long Term Assets**		**1,822,931**
85,103	Short Term Investments	21	80,075
233	Inventories		360
147,809	Short Term Debtors	22	165,302
72,034	Cash and Cash Equivalents	23	126,488
4,300	Assets Held for Sale	24	6,406
309,479	**Current Assets**		**378,631**
(13,802)	Short Term Borrowing	21	(12,418)
(1,912)	Other Short Term Liabilities	21	(2,205)
(160,411)	Short Term Creditors	25	(239,692)
(8,656)	Provisions	26	(2,971)
(184,781)	**Current Liabilities**		**(257,286)**
(22,534)	Provisions	26	(22,652)
(701,418)	Long Term Borrowing	21	(746,333)
(1,167,980)	Other Long Term Liabilities	21	(1,611,918)
(28,278)	Capital Grants Receipts in Advance	9	(21,158)
(1,920,210)	**Long Term Liabilities**		**(2,402,061)**
(8,582)	**Net Assets**		**(457,785)**
193,360	Usable Reserves	27	255,157
(201,942)	Unusable Reserves	28	(712,942)
(8,582)	**Total Reserves**		**(457,785)**

Cash Flow Statement

31 March 2020		31 March 2021
£000s		**£000s**
97,569	**Net (surplus) or deficit on the provision of services**	**42,697**
(213,205)	Adjust net (surplus) or deficit on the provision of services for non-cash movements	(225,056)
122,868	Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	139,253
7,232	Net cash flows from Operating Activities (Note 38)	(43,106)
67,239	Investing Activities (Note 39)	30,369
(78,627)	Financing Activities (Note 40)	(41,717)
(4,156)	**Net (increase) or decrease in cash and cash equivalents**	**(54,454)**
67,878	Cash and cash equivalents at the start of the year	72,034
72,034	Cash and cash equivalents at the end of the year (Note 23)	126,488

Notes to the Financial Statements

Supporting the Comprehensive Income and Expenditure Statement

1. Expenditure and Funding Analysis

	2020-21		
	Net Expenditure chargeable to the General Fund £000s	**Adjustments between the Funding and Accounting Basis £000s**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000s**
Adult Social Services	253,623	74,487	328,110
Children's Services	153,615	108,128	261,743
Community and Environmental Services	104,282	65,552	169,834
Strategy and Governance Services	8,560	3,447	12,007
Finance and Commercial Services	28,109	21,107	49,216
Finance General	(7,498)	24,000	16,502
Non-Distributed Costs	0	(721)	(721)
Net Cost of Services	**540,691**	**296,000**	**836,691**
Other Income and Expenditure	(580,278)	(213,716)	(793,994)
(Surplus) or Deficit	**(39,587)**	**82,248**	**42,697**
Opening General Fund Balance at 31 March*	109,108		
Reclassification of DSG reserve to Unusable	19,703		
Plus surplus on General Fund	39,587		
Closing General Fund Balance at 31 March*	**168,398**		

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

* The General Fund Balance in the tables above represent the Council's General Balances together with total earmarked reserves as detailed in Note 17 on page 47.

2. Note to the Expenditure and Funding Analysis

	2020-21			
	Adjustments for Capital Purposes	**Net change for the pensions adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Adult Social Services	3,084	13,641	57,762	**74,487**
Children's Services	45,766	20,382	41,980	**108,128**
Community and Environmental Services	47,464	4,564	13,524	**65,552**
Strategy and Governance Services	0	1,957	1,490	**3,447**
Finance and Commercial Services	15,642	3,771	1,694	**21,107**
Finance General	2,908	(16,049)	37,141	**24,000**
Non-Distributed Costs	0	(721)	0	**(721)**
Net Cost of Services	**114,864**	**27,545**	**153,591**	**296,000**
Other Income and Expenditure from the Expenditure and Funding Analysis	(117,146)	26,673	(123,243)	**(213,716)**
Difference between General Fund surplus/deficit and CIES surplus/deficit on provision of services	**(2,282)**	**54,218**	**30,348**	**82,284**

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

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustments

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

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

Other Differences

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

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

3. Segmental Income

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

2019-20		2020-21
£000s		**£000s**
78,015	Adult Social Services	73,131
28,730	Children's Services	16,828
23,047	Community and Environmental Services	22,334
692	Strategy and Governance Services	3,241
8,481	Finance and Commercial Services	6,872
3,771	Finance General	401
142,736	**Total income analysed on a segmental basis**	**122,807**

4. Expenditure and Income analysed by Nature

The Council's expenditure and income analysed by type:

2019-20		2020-21
£000s		**£000s**
471,522	Employee benefits expenses	477,471
878,260	Other Services expenses	933,918
60,776	Support Service recharges	63,054
70,733	Depreciation, amortisation, impairment	99,652
68,859	Interest payments	60,318
1,488	Precepts and levies	1,523
34,389	Gain/loss on disposal of assets	16,314
1,586,027	**Total Expenditure**	**1,652,250**
	Fees, charges and other service income	
(142,736)	Income from Service Recipients	(122,807)
(102,950)	Income from other sources	(96,862)
(3,581)	Interest and investment income	(1,754)
(598,402)	Income from council tax and business rates	(564,136)
(640,789)	Government Grants and contributions	(823,994)
(1,488,458)	**Total Income**	**(1,609,553)**
97,569	**Surplus or Deficit on the Provision of Services**	**42,697**

5. Material Item of Income and Expense

During 2020-21, 7 schools transferred to Academy and Voluntary Aided status. The Council's balance sheet no longer includes the assets relating to these schools. The value written off amounts to £11.168m and the net loss on disposal of these assets is the main reason for the total shown in note 6 to the accounts.

6. Other Operating Expenditure

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

2019-20		2020-21
£000s		**£000s**
879	Environment Agency precept	904
609	Eastern Sea Fisheries precept	619
34,389	(Gains)/losses on disposal of non-current assets	16,314
35,877	**Total**	**17,837**

7. Financing and Investment Income and Expenditure

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

2019-20		2020-21
£000s		**£000s**
34,016	Interest payable and similar charges	34,215
34,843	Net interest cost on the net defined benefit liability	26,103
(3,581)	Interest receivable and similar income	(1,754)
(1,180)	Income and expenditure in relation to investment properties and / or changes in their fair value (Note 20)	2,656
(1,280)	Dividend Income	(1,521)
90	(Gains)/Losses on trading accounts not included in the cost of services	(196)
62,908	**Total**	**59,503**

8. Taxation and Non-Specific Grant Income

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

2019-20		2020-21
£000s		**£000s**
407,350	Council tax income	420,856
191,052	Non-domestic rates	143,280
113,710	Non-ring-fenced government grants	180,421
105,118	Capital grants, contributions and donated assets	125,761
0	Donated Assets Income	1,016
817,230	**Total**	**871,334**

9. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020-21. The table shows details of grants credited to Services where the balance is more than £1m in 2020-21.

Credited to Taxation and non-Specific Grant Income:

2019-20		2020-21
£000s		**£000s**
105,515	Ministry of Housing, Communities and Local Government	172,686
5,704	Department for Education	5,259
1,210	Department of Health and Social Care	1,197
1,129	Home Office	1,127
152	Department for Environment, Food & Rural Affairs	152
113,710	**Total General Government Grants**	**180,421**

2019-20		2020-21
£000s		**£000s**
43,237	Department for Transport	89,204
17,796	Developer Contributions	13,997
31,437	Department for Education	9,785
2,953	Other Local Authorities	3,886
0	Commercial Contribution	3,225
0	Department for Digital, Culture, Media & Sport	3,121
6,402	New Anglia Local Enterprise Partnership	2,476
2,602	Heritage Lottery Fund	0
691	Grants and Contributions less than £1m	67
105,118	**Total Capital Grants and Contributions**	**125,761**

Credited to Services:

2019-20		2020-21
£000s		**£000s**
	Adult Social Services:	
45,052	NHS Clinical Commissioning Groups	86,659
0	Department of Health and Social Care	9,771
	Children's Services:	
296,347	Department for Education	310,517
2,705	Home Office	4,045
1,523	Ministry of Housing, Communities and Local Government	1,944
1,031	NHS Primary Care Trusts/Clinical Commissioning Groups	1,280
1,086	Arts Council /Federation of Music Services	1,079
1,039	Other Local Authorities	958

2019-20		2020-21
£000s		£000s
	Community and Environmental Services:	
38,031	Department of Health and Social Care (Public Health)	41,405
1,464	NHS England (Public Health)	10,765
1,061	Department for Transport	7,275
4,623	Department for Education	4,763
958	Ministry of Housing, Communities and Local Government	4,203
2,009	EU Funding	2,241
1,767	Arts Council	2,170
1,046	Heritage Lottery Fund	1,992
1,629	Home Office	1,920
1,404	Developer Contributions	1,374
6,083	Other Local Authorities	464
	Finance and Commercial Services:	
38	Department for Digital, Culture, Media & Sport	1,381
	Finance General:	
0	Department for Work and Pensions	3,683
0	Department for Environment, Food & Rural Affairs	1,016
8,261	Grants and Contributions less than £1m	11,775
417,157	**Total Grants and Contributions recognised in Net Cost of Services**	**512,680**

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

Included in Current Liabilities:

2019-20		2020-21
£000s		£000s
0	Department of Health and Social Care	15,590
1,097	Department for Education	2,888
6	Home Office	830
10,046	Ministry of Housing, Communities and Local Government	107
52	NHS Clinical Commissioning Groups	57
61	Ministry of Justice	0
6	Department for Work and Pensions	0
74	Other Revenue Grants & Contributions	101
11,342	**Total Conditional Revenue Grants & Contributions**	**19,573**

Included in Long Term Liabilities:

2019-20		2020-21
£000s		**£000s**
22,856	Developer Contributions	15,769
2,217	New Anglia Local Enterprise Partnership	3,476
2,548	Other Local Authorities	1,808
24	Contributions from Schools/Academy Trusts	71
575	Department for Transport	5
8	Department for Education	0
50	Other Capital Grants & Contributions	29
28,278	**Total Capital Grants Receipts in Advance**	**21,158**

10. Agency Services

The County Council administers money on behalf of the Clinical Commissioning Groups under Section 28 agreements. For 2020-21 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £11.054m (£10.361m in 2019-20).

11. Joint Arrangements

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

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

2019-20		2020-21
£000s		**£000s**
(4,231)	Gross Income	(4,535)
4,786	Expenditure	5,090
555	**(Surplus)/Deficit**	**555**
2,366	Council's Contribution	2,712

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

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

2019-20		2020-21
£000s		**£000s**
(2,253)	Gross Income	(2,255)
2,253	Expenditure	2,255
0	**(Surplus)/Deficit**	**0**
1,262	Council's Contribution	1,264

- **Better Care Fund (BCF)**

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

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

On 1 April 2020 the five CCGs in Norfolk merged to become NHS Norfolk & Waveney Clinical Commissioning Group. However, the BCF is still managed in areas that follow the previous CCG's geographical boundaries. For each service included within the Section 75 agreements either the Council or the CCG is solely responsible for delivery. Entries in the County Council's financial system relate to the Council's controlled share of the pool, with notional entries to reflect the share of the pool controlled by the CCG. These notional entries are excluded from the Council's accounts.

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

The table below reflects funding and spend across all the partners in 2020-21:

2020-21	**Great Yarmouth and Waveney Area**	**North Norfolk Area**	**Norwich Area**	**South Norfolk Area**	**West Norfolk Area**	**Norfolk BCF Capital Pool**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
CCG	(3,681)	(5,453)	(6,788)	(5,696)	(6,147)		**(27,765)**
Norfolk County Council	(3,792)	(6,359)	(7,176)	(8,513)	(6,475)		**(32,315)**
Capital Grants						(8,071)	**(8,071)**
iBCF & Winter Funding Grant Income (Note A)	(6,923)	(10,437)	(8,291)	(7,548)	(9,506)		**(42,705)**
Total Income	**(14,396)**	**(22,249)**	**(22,255)**	**(21,757)**	**(22,128)**	**(8,071)**	**(110,856)**
CCG	3,681	5,453	6,788	5,696	6,147		**27,765**
Norfolk County Council	3,792	6,359	7,176	8,513	6,475	8,071	**40,386**
iBCF & Winter Funding Projects expenditure	6,923	10,437	8,291	7,548	9,506		**42,705**
Total Expenditure	**14,396**	**22,249**	**22,255**	**21,757**	**22,128**	**8,071**	**110,856**
(Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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

2019-20	Great Yarmouth and Waveney CCG	North Norfolk CCG	Norwich CCG	South Norfolk CCG	West Norfolk CCG	Norfolk BCF Capital Pool	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
CCGs	(3,507)	(5,199)	(6,469)	(5,434)	(5,852)		**(26,461)**
Norfolk County Council	(3,595)	(6,027)	(6,802)	(8,070)	(6,138)		**(30,632)**
Capital Grants						(8,071)	**(8,071)**
iBCF & Winter Funding Grant Income (Note A)	(6,000)	(8,664)	(7,852)	(7,870)	(8,066)		**(38,452)**
Total Income	**(13,102)**	**(19,890)**	**(21,123)**	**(21,374)**	**(20,056)**	**(8,071)**	**(103,616)**
CCGs	3,507	5,199	6,469	5,434	5,852		**26,461**
Norfolk County Council	3,595	6,027	6,802	8,070	6,138	8,071	**38,703**
iBCF & Winter Funding Projects expenditure (Note B)	6,000	8,664	7,852	7,870	8,066		**38,452**
Total Expenditure	**13,102**	**19,890**	**21,123**	**21,374**	**20,056**	**8,071**	**103,616**
(Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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

Note B: This total reflects an actual in year spend of £33.173m on iBCF projects by the County Council and a carried forward balance of £1.100m.

- **Equipment Pool**

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

2020-21	Contributions £000s	Expenditure £000s	Net (surplus) / deficit £000s
Clinical Commissioning Groups:			
Great Yarmouth and Waveney Area	(654)	654	0
North Norfolk Area	(1,417)	1,417	0
Norwich Area	(1,182)	1,182	0
South Norfolk Area	(1,469)	1,469	0
West Norfolk Area	(1,062)	1,062	0
	(5,784)	**5,784**	**0**
Norfolk County Council	(3,103)	3,103	0
Total	**(8,887)**	**8,887**	**0**

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

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

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

2019-20		2020-21
£000s		**£000s**
(194)	Gross Income	0
194	Expenditure	0
0	**(Surplus)/Deficit**	**0**
20	Council's Contribution	0

- **Infrastructure Investment Fund**

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

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

2019-20		2020-21
£000s		**£000s**
3,633	Balance brought forward	6,350
5,700	Gross Income	7,623
(3,032)	Expenditure	(4,716)
49	Interest on daily cash balances	9
6,350	**Balance carried forward**	**9,266**

12. Members Allowances

The total amount of members allowances paid in the year was £1.235m (£1.294m in 2019-20).

13. Officers Remuneration

(i) Council's senior employees:

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

Remuneration includes:

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

The salary totals for interim chief officers is the fees paid to secure the services of these officers.

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

2020-21							
Position & Postholder	Note	Salary	Expenses Allowances*	Compensation for loss of office	**Sub Total**	Employer Pension contributions	**Total**
		£	£	£	**£**	£	**£**
Executive Director of Community and Environmental Services (Head of Paid Service): *T McCabe*		162,100	0	0	**162,100**	25,100	**187,200**
Executive Director of Adult Social Services: *J Bullion*		152,100	0	0	**152,100**	23,600	**175,700**
Executive Director of Children's Services: *S Tough*		159,800	0	0	**159,800**	24,800	**184,600**
Executive Director of Finance and Commercial Services: *S George*	A	152,100	0	0	**152,100**	23,600	**175,700**
Executive Director of Strategy and Governance: *F McDiarmid*	B	108,600	0	0	**108,600**	12,700	**121,300**
Director of Public Health		126,200	0	0	**126,200**	18,100	**144,300**
Chief Fire Officer: *S Ruff*		130,300	1,100	0	**131,400**	48,600	**180,000**
Chief Legal Officer		109,600	0	0	**109,600**	17,000	**126,600**

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

Note A: The Executive Director of Finance and Commercial Services has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Norfolk Pension Fund and holds the role of Fund Administrator. For 2020-21 the remuneration amount incurred by the Fund was £9,000 and forms part of the remuneration figure shown in the table above.

Note B: The Executive Director of Strategy and Governance retired on 8 January 2021. The Strategy and Governance department split into the Governance department and Strategy and Transformation department from 1 April 2021. The new Executive Director of Strategy and Transformation has been appointed and started 12 April 2021. The Governance Department will be led by the Chief Legal Officer.

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

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

Note A: The Executive Director of Finance and Commercial Services has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Norfolk Pension Fund and holds the role of Fund Administrator. For 2019-20 the remuneration amount incurred by the Fund was £9,000 and forms part of the remuneration figure shown in the table above.

Note B: The Chief Fire Officer retired on 6 April 2019. The Deputy Chief Fire Officer acted up in this role from 18 January 2019 before being appointed permanently on 8 April 2019.

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

2019-20				2020-21		
School Staff	Other Staff	Total Employees	Remuneration Band	School Staff	Other Staff	Total Employees
51	143	194	£50,000 - £54,999	50	146	196
50	63	113	£55,000 - £59,999	42	91	133
29	48	77	£60,000 - £64,999	33	53	86
22	14	36	£65,000 - £69,999	26	26	52
16	24	40	£70,000 - £74,999	18	21	39
4	7	11	£75,000 - £79,999	4	16	20
3	5	8	£80,000 - £84,999	5	7	12
1	2	3	£85,000 - £89,999	2	4	6
1	4	5	£90,000 - £94,999	1	4	5
2	6	8	£95,000 - £99,999	1	5	6
2	4	6	£100,000 - £104,999	1	6	7
0	4	4	£105,000 - £109,999	2	3	5
1	1	2	£110,000 - £114,999	0	2	2
0	0	0	£115,000 - £119,999	1	3	4
0	0	0	£120,000 - £124,999	0	0	0
0	1	1	£125,000 - £129,999	0	1	1
0	1	1	£130,000 - £134,999	0	1	1
0	0	0	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	0	0
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	1	1

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

2019-20					2020-21			
Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	**Exit Package cost band**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
			£000s					£000s
34	81	115	377	£0 - £10,000	20	45	65	246
8	20	28	354	£10,001 - £20,000	3	13	16	229
6	9	15	377	£20,001 - £40,000	2	5	7	202
1	5	6	279	£40,001 - £60,000	0	0	0	0
0	0	0	0	£60,001 - £80,000	0	0	0	0
0	0	0	0	£80,001 - £100,000	0	0	0	0
0	1	1	111	£100,001 - £150,000	0	1	1	127
0	0	0	0	Over £150,000	0	0	0	0
49	**116**	**165**	**1,498**	**Total**	**25**	**64**	**89**	**804**

14. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and non-audit services provided by the Council's external auditors.

2019-20		2020-21
£000s		£000s
98	Fees payable to external auditors for external audit services carried out by the appointed auditor for the year	98
0	Fees payable to external auditors for the certification of grant claims and returns for the year	8
98	**Total**	**106**

Fees are prescribed by the Public Sector Auditor Appointments Ltd (PSAA) and any increase in published scale fees needs to be agreed by them. Currently there is a further £0.091m in fees for 2019-20 and a proposed £0.071m additional fees for 2020-21 waiting for approval.

15. Dedicated Schools Grant

Education authorities in England are required by the Accounts and Audit Regulations 2015 and paragraph 3.4.5.1(3) of the Code to include a note showing whether the Dedicated Schools Grant has been deployed following regulations.

Funding of the Council's expenditure on schools is primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The Department recoup an element of DSG to fund Academy schools in the Council's area. DSG is ring-fenced and can only meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), split into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

2019-20				2020-21		
Total	**Central Expenditure**	**Individual Schools Budget**		**Total**	**Central Expenditure**	**Individual Schools Budget**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
(609,519)			Final DSG for the financial year (before Academy recoupment)	(646,969)		
342,692			Academy figure recouped	371,035		
(266,827)			Total DSG (after Academy recoupment)	(275,934)		
10,887			Plus: Brought forward from the previous year	19,703		
0			Less: Carry forward to next financial year agreed in advance	0		
(255,940)	(24,774)	(231,166)	Agreed initial budgeted distribution in the year	(256,231)	(22,429)	(233,802)
795	0	795	In year adjustments	1,139	1	1,138
(255,145)	(24,774)	(230,371)	Final budget distribution for the year	(255,092)	(22,428)	(232,664)
44,477	44,477	0	Less: Actual central expenditure	54,225	54,225	0
230,371	0	230,371	Less: Actual ISB deployed to schools	232,664	0	232,664
0	0	0	Plus Council contribution for the year	0	0	0
19,703	**19,703**	**0**	**Carry forward to next financial year**	**31,797**	**31,797**	**0**

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

Supporting the Movement in Reserves Statement

16. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments made to the total comprehensive income and expenditure recognised by the Council in the year following proper accounting practice to arrive at the resources specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority must be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might otherwise authorise. These rules can also specify the financial year in which liabilities and payments should affect the General Fund Balance, which is not necessarily following proper accounting practice. The General Fund Balance therefore summarises the resources that the Council can spend on its services or on capital investment (or the deficit of resources that the Council must recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which can only fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be used for these purposes at the year end.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise demand repayment of the monies, but which have yet to be used to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be used and/or the financial year in which this can take place.

2020-21 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)	54,218	0	0
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(54)	0	0
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	20,342	0	0
Holiday Pay (transferred to the Accumulated Absences Reserve)	(2,040)	0	0
Dedicated Schools Grant in-year deficit (transferred to the Dedicated Schools Grant Adjustment Account)	12,094	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account):	16,584	0	32,801
Total Adjustment to Revenue Resources	**101,144**	**0**	**32,801**
Adjustments between Revenue and Capital Resources:			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,218)	5,218	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	68	(68)	0
Statutory provision for the repayment of debt	(11,339)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,371)	0	0
Total Adjustments between Revenue and Capital Resources	**(18,860)**	**5,150**	**0**
Adjustments to Capital Resources:			
Use of the Capital Receipts reserve to finance capital expenditure	0	(3,627)	0
Long term debtor repayments in year	0	3,578	0
Application of capital grants to finance capital expenditure	0	0	(35,395)
Total Adjustments to Capital Resources	**0**	**(49)**	**(35,395)**
Total Adjustments in 2020-21	**82,284**	**5,101**	**(2,594)**

2019-20 Usable Reserves	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account
	£000s	**£000s**	**£000s**
Adjustments to Revenue Resources:			
Pension Costs (transferred to/from the Pension Reserve)	74,076	0	0
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(43)	0	0
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	4,574	0	0
Holiday Pay (transferred to the Accumulated Absences Reserve)	124	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account):	41,727	0	38,321
Total Adjustment to Revenue Resources	**120,458**	**0**	**38,321**
Adjustments between Revenue and Capital Resources:			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(6,677)	6,677	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	66	(66)	0
Statutory provision for the repayment of debt	(2,148)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0
Total Adjustments between Revenue and Capital Resources	**(8,759)**	**6,611**	**0**
Adjustments to Capital Resources:			
Use of the Capital Receipts reserve to finance capital expenditure	0	(7,525)	0
Long term debtor repayments in year	0	1,848	0
Application of capital grants to finance capital expenditure	0	0	(38,845)
Total Adjustments to Capital Resources	**0**	**(5,677)**	**(38,845)**
Total Adjustments in 2019-20	**111,699**	**934**	**(524)**

17. Transfers to/from earmarked reserves

The table shows each of the Council's earmarked reserve accounts where the balance is more than £1m either on 31 March 2020 or 31 March 2021. Descriptions of each of these earmarked reserves follow the table.

	Balance at 31 March 2019	Transfers in 2019-20	Transfers out 2019-20	Balance at 31 March 2020	Transfers in 2020-21	Transfers out 2020-21	Balance at 31 March 2021
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
LMS Balances	**12,904**	14,123	(14,666)	**12,361**	18,965	(14,308)	**17,018**
Dedicated School Grant (DSG)	**(10,887)**	1,491	(10,307)	**(19,703)**	0	19,703	**0**
Adult Social Care Residential Review	**1,116**	1,567	(1,154)	**1,529**	4,520	(612)	**5,437**
Building Maintenance	**3,165**	478	(1,766)	**1,877**	984	(277)	**2,584**
Business Rates Pilot	**0**	7,752	0	**7,752**	2,265	0	**10,017**
Business Risk Reserve (Adults)	**7,079**	430	(2,604)	**4,905**	11,211	(262)	**15,854**
Business Risk Reserve (Children's)	**0**	0	0	**0**	5,765	0	**5,765**
Business Risk Reserve (CES)	**0**	0	0	**0**	1,811	(175)	**1,636**
Business Risk Reserve (General)	**2,357**	28,932	(2,473)	**28,816**	11,088	(26,799)	**13,105**
Economic Development and Tourism	**2,111**	1,269	(966)	**2,414**	2,829	(2,057)	**3,186**
Education Equalisation	**413**	750	(413)	**750**	1,806	(81)	**2,475**
Highways Maintenance	**6,529**	4,293	(2,674)	**8,148**	10,912	(10,195)	**8,865**
Income Reserve	**677**	722	(144)	**1,255**	1,626	(81)	**2,800**
Information Technology	**3,721**	71	(355)	**3,437**	1,041	(1,106)	**3,372**
Insurance Reserve	**2,919**	1,134	(2,888)	**1,165**	1,704	(2,110)	**759**

	Balance at 31 March 2019	Transfers in 2019-20	Transfers out 2019-20	Balance at 31 March 2020	Transfers in 2020-21	Transfers out 2020-21	Balance at 31 March 2021
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Norwich PFI Sink Fund	**0**	212	0	**212**	2,052	0	**2,264**
Organisational Change and Redundancy Reserve	**4,167**	401	(1,394)	**3,174**	1,355	(141)	**4,388**
Repairs and Renewals Fund	**3,137**	1,053	(637)	**3,553**	3,489	(2,468)	**4,574**
Street Lighting PFI Sinking Fund	**4,708**	3,418	(3,235)	**4,891**	8,259	(8,307)	**4,843**
Unspent Grants and Contributions	**26,554**	7,430	(15,282)	**18,702**	25,774	(13,149)	**31,327**
Other earmarked reserves	**4,685**	1,362	(1,883)	**4,164**	1,277	(1,075)	**4,366**
TOTAL	**75,355**	**76,888**	**(62,841)**	**89,402**	**118,733**	**(63,500)**	**144,635**

Details of earmarked reserves:

Reserve	Description
LMS Balances	This reserve is surpluses and deficits against delegated budgets for locally managed schools (LMS). These funds are kept for schools following the LMS arrangements approved by the Department for Education and are not available to the Council for general use.
Dedicated School Grant	The School and Early Years Finance (England) Regulations 2020 state DSG deficit balances are to be held within the local authority's overall DSG. Authorities cannot fund a deficit from the general fund without the secretary of state's approval. This reserve was reclassified as an unusable reserve on 1 April 2020.
Adult Social Care Residential Review	This reserve was the result of savings arising from the new conditions of services and is to develop homes for the elderly.
Building Maintenance	This reserve is to uphold the capital value of the Council's building stock and helps the rolling programme of building maintenance. It also allows the Council to respond to emergencies by carrying out repairs from day to day and as the need arises.
Business Rates Pilot	This reserve holds additional business rates income received through the business rates retention system in previous years including from the 2019-20 Norfolk Business Rates Pilot.

Business Risk Reserve **(General, Adults, Children's & CES)**	This reserve is to provide flexibility with managing budget risks and to ease the level of savings needed in future years. Part of the reserve is ear marked for managing key budget risks within the specific departments.
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.
Education 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.
Highways Maintenance	This reserve supports the undertaking of a wide range of maintenance schemes. The reserve smooths the peaks and troughs of expenditure on highway maintenance which is highly dependent on the severity of the winter. The balance mainly relates to commuted sums paid by developers to cover the added maintenance work arising from their developments. The reserve also reflects monies from decriminalised car parking arrangements and charging utility companies for use in future years.
Income Reserve	This reserve is used in services to support unexpected income shortfalls in future years, such as bad weather or partial closure of museums during refurbishment.
Information Technology	Monies set aside for specific IT projects.
Insurance Reserve	This reserve reflects monies set aside for future potential insurance liabilities that are more than those planned for in the Insurance Provision.
Norwich PFI Sink Fund	This reserve has been created as a result of the Norwich Schools PFI scheme and reflects receipt of government PFI grant and contributions from schools and academies which will be needed in future financial years to meet contract payments.
Organisational Change and Redundancy Reserve	This reserve is to support and invest in transformational change e.g. shared services, and to fund redundancy costs.
Repairs and Renewals Fund	This fund is to meet the cost of buying and repairing specific equipment.
Street Lighting PFI Sinking Fund	This reserve reflects receipt of government PFI grant needed to meet contract payments for the Street Lighting PFI scheme.
Unspent Grants and Contributions Reserve	This reserve holds the balances on the Council's unconditional grants and contributions.
Other Earmarked Reserves	These mainly include various reserves held in respect of initiatives begun in previous years for which outstanding planned financial provision will be utilised in 2021-22 or future years as initiatives finish. All balances on each of these reserves as at 31 March 2020 and 31 March 2021 are below £1m.

Supporting the Balance Sheet

18. Property, Plant and Equipment

2020-21	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure assets £000s	Assets under construction £000s	Surplus assets £000s	**Total Property, Plant and Equipment £000s**	PFI Assets included in Property, Plant and Equipment £000s
Cost or Valuation							
At 1 April 2020	704,877	64,136	1,329,160	52,572	25,678	**2,176,423**	46,328
Additions	17,249	8,328	67,104	86,371	0	**179,052**	324
Revaluation increases/(decreases):							
- to Revaluation reserve	(45,489)	0	0	0	7,245	**(38,244)**	(653)
- to surplus or deficit on provision of services	(50,079)	0	0	0	(1,232)	**(51,311)**	(1,029)
Derecognition - disposals	(18,738)	(9,524)	0	0	(155)	**(28,417)**	(4,996)
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	(5,279)	**(5,279)**	0
Reclassifications and transfers	20,729	2,004	1,573	(36,426)	5,408	**(6,712)**	(90)
At 31 March 2021	**628,549**	**64,944**	**1,397,837**	**102,517**	**31,665**	**2,225,512**	**39,884**
Accumulated Depreciation and Impairment							
At 1 April 2020	123,076	33,832	349,146	0	12,697	**518,751**	5,112
Depreciation charge	14,530	7,232	35,225	0	62	**57,049**	1,073
Depreciation written out to Revaluation reserve	(22,037)	0	0	0	(68)	**(22,105)**	(155)
Depreciation written out on revaluation to surplus or deficit on provision of services	(14,925)	0	0	0	(132)	**(15,057)**	(633)
Impairment losses/(reversals) recognised in:							
- the Revaluation reserve	(1,305)	0	0	0	0	**(1,305)**	0
- the surplus or deficit on provision of services	2,726	0	0	0	(56)	**2,670**	0
Derecognition - disposals	(1,609)	(8,988)	(2)	0	(7)	**(10,606)**	(353)
Reclassifications and transfers	(236)	0	0	0	146	**(90)**	(16)
At 31 March 2021	**100,220**	**32,076**	**384,369**	**0**	**12,642**	**529,307**	**5,028**
Net Book Value:							
At 31 March 2021	**528,329**	**32,868**	**1,013,468**	**102,517**	**19,023**	**1,696,205**	**34,856**
At 31 March 2020	581,801	30,304	980,014	52,572	12,981	**1,657,672**	41,216

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

Depreciation

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

Buildings	1 - 60 years
Vehicles, plant, furniture and equipment	1 - 20 years
Infrastructure	12 - 40 years

Impairment Losses

During 2020-21 the Council recognised an impairment loss of £11.551m (£11.147m in 2019-20) in relation to capital expenditure incurred which does not result in a change to the value of the assets. Impairment reversals on revaluations total £8.667m (£5.399m in 2019-20).

Capital commitments

At 31 March 2021, the Council has entered into several significant contracts for the construction or enhancement of Property, Plant and Equipment in 2020-21 and future years on schemes listed in the table below. Similar commitments at 31 March 2020 were £55.415m.

Service/Scheme	**Contract Completion**	**£000s**
Children's Services		
Fen Rivers Academy	2021-22	2,802
Fakenham New Special Educational Needs (SEN) School	2021-22	11,799
Gayton Primary Academy	2021-22	4,591
Mundesley Specialist Resource Base (SRB)	2021-22	1,149
Arden Grove Specialist Resource Base (SRB)	2021-22	1,141
Caister Specialist Resource Base (SRB)	2021-22	1,117
Great Yarmouth Social, Emotional and Mental Health (SEMH) School	2021-22	5,011
John Grant School Expansion	2021-22	2,435
Adult Social Services		
New support housing development for younger adults	2023-24	11,500
Community and Environmental Services		
Great Yarmouth Third River Crossing	2023-24	74,043
Household Waste Recycling Centres (replacement & improvements)	various	8,714
Household Waste Recycling Centres (equipment & vehicles)	2021-22	1,246
Local full fibre network	2021-22	1,213
Better Broadband for Norfolk	2023-24	15,691
Fire vehicle replacement program	2022-23	4,145
Finance and Commercial Services		
HR and Finance Systems Replacement	2022-23	8,707
Technology improvements	2021-22	2,500
County Hall improvements	2021-22	12,734
Total		**170,538**

In addition to the above, the Council has three major on-going contract arrangements for integrated highways services, highways works, and traffic signals maintenance and improvement. The Council also uses a number of contracts frameworks for the delivery of highways schemes. The total Highways capital budget for 2021-24 at 31 March 2021 was £143.088m, including the £74.043m in respect of the Great Yarmouth Third River Crossing listed above.

Revaluations

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

	Land and Buildings	Vehicles, plant and equipment	Infrastructure Assets	Surplus assets
	£000s	£000s	£000s	£000s
Carried at Historical Cost	-	32,868	1,013,468	-
Valued at current value in:				
2020-21	305,069	-	-	8,994
2019-20	62,053	-	-	6,459
2018-19	47,777	-	-	832
2017-18	83,433	-	-	1,136
2016-17	29,997	-	-	1,602
Total	**528,329**	**32,868**	**1,013,468**	**19,023**

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

Surplus Assets

Of the Council’s Surplus Assets at 31 March 2021 assets valued at £15.810m have been assessed as Level 3 for valuation purposes, with the rest assessed as Level 2. The valuation levels are as set out for Investment Properties as described in note 20 below.

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

2019-20		2020-21
£000s		£000s
8,298	Opening balance	**10,620**
(514)	Transfers to Assets held for Sale	(4,011)
1,413	Transfers into Level 3	2,026
0	Transfers out of Level 3	(350)
1,314	Revaluation gains/(losses) - revaluation reserve	7,685
109	Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(160)
10,620	**Closing Balance**	**15,810**

19. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Council.

	Windmills and Windpumps	Other Heritage Assets	Total Assets
	£000s	£000s	£000s
Cost or valuation:			
1 April 2020	6,660	6,634	13,294
Additions	0	0	0
Revaluations	0	0	0
At 31 March 2021	**6,660**	**6,634**	**13,294**

	Windmills and Windpumps	Other Heritage Assets	Total Assets
	£000s	£000s	£000s
Cost or valuation:			
1 April 2019	6,535	634	7,169
Additions	0	3,101	3,101
Revaluations	125	2,899	3,024
At 31 March 2020	**6,660**	**6,634**	**13,294**

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

<u>Windmills and Windpumps</u>

The majority of the Council's significant Heritage Assets, by value, are windmills, watermills and drainage mills of historic interest. The Norfolk Windmills Trust, (registered as the Norfolk Mills and Pumps Trust), manages the mills and works as a registered charity for the preservation of mills and their associated sites, ruins, machinery and ancillary buildings.

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

<u>Other Heritage Assets</u>

Other heritage assets are valued at cost or valuation. Acquisitions are initially recognised at cost or, if bequeathed or donated at nil consideration, at valuation. If a Heritage Asset has no valuation, the Council believes that the cost of obtaining valuations for these items would be disproportionate to the benefits to users of the financial statements.

- Museums' Collections

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

- Document and Archive Collections

  The Norfolk Record Office (NRO) is a joint service of the County and District Councils of Norfolk and is based in a purpose-built Archive Centre in Norwich. Other documents of historic interest are preserved in the authority's libraries. A small number of items obtained since 1 April 2010 have a recorded value and included on the Balance Sheet.

- Sundry Other Heritage Assets

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

20. Investment Properties

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

2019-20		2020-21
£000s		**£000s**
(436)	Rental income from investment property	(323)
0	Direct operating expenses arising from investment property	0
(744)	(Gains)/Losses on changes in fair value	2,979
(1,180)	**Net (gain)/loss**	**2,656**

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

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

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

2019-20		2020-21
£000s		**£000s**
21,192	**Balance at the start of the year**	**22,100**
0	Reclassifications and Transfers	6,838
164	Other Movements	0
744	Net gains/(losses) from fair value investments	(2,979)
22,100	**Balance at the end of the year**	**25,959**

Fair Value Hierarchy

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

	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value 31 March 2021
	£000s	**£000s**	**£000s**
Commercial Estate	2,020	10,682	12,702
Land with development potential	13,187	70	13,257
Total	**15,207**	**10,752**	**25,959**

Of the net gains/(losses) from fair value investments in 2020-21, £0.363m relates to fair value measurements categorised within Level 3 of the fair value hierarchy (£(0.137)m in 2019-20).

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

	Commercial Estate	Land with development potential	Total
	£000s	**£000s**	**£000s**
Opening balance 1 April 2020	**10,319**	**9,755**	**20,074**
Transfers into Level 3 from level 2	0	(3,783)	(3,783)
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	363	(5,902)	(5,539)
Closing Balance 31 March 2021	**10,682**	**70**	**10,752**

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

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

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

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 considered: location and topography, title and legal constraints, and ground conditions.

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

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 their current use.

Valuers

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

21. Financial Instruments

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

31 March 2020 Long Term £000s	31 March 2020 Short Term £000s		31 March 2021 Long Term £000s	31 March 2021 Short Term £000s
		Investments:		
15,454	85,103	Amortised Cost	15,454	80,075
2,981	0	Fair Value through Other Comprehensive Income	3,235	0
18,435	**85,103**	**Total Financial Assets**	**18,689**	**80,075**
0	0	Non-financial assets	0	0
18,435	**85,103**	**Total Investments**	**18,689**	**80,075**
		Debtors:		
73,642	93,627	Amortised Cost	67,695	109,220
73,642	**93,627**	**Total Financial Assets**	**67,695**	**109,220**
0	54,182	Non-financial assets	0	56,082
73,642	**147,809**	**Total Debtors**	**67,695**	**165,302**
		Cash and Cash equivalents:		
0	72,034	Amortised Cost	0	126,488
0	**72,034**	**Total Financial Assets**	**0**	**126,488**
0	0	Non-financial assets	0	0
0	**72,034**	**Total Cash and cash equivalents**	**0**	**126,488**
		Borrowings:		
701,418	13,802	Amortised Cost	746,333	12,418
701,418	**13,802**	**Total Financial Liabilities**	**746,333**	**12,418**
0	0	Non-financial Liabilities	0	0
701,418	**13,802**	**Total Borrowings**	**746,333**	**12,418**
		Other short/long term liabilities:		
48,170	1,912	Amortised Cost	45,965	2,205
48,170	**1,912**	**Total Financial Liabilities**	**45,965**	**2,205**
1,119,810	0	Non-financial Liabilities	1,565,953	0
1,167,980	**1,912**	**Total Other Short / Long Term Liabilities**	**1,611,918**	**2,205**
		Creditors:		
0	106,946	Amortised Cost	0	157,492
0	**106,946**	**Total Financial Liabilities**	**0**	**157,492**
0	53,465	Non-financial Liabilities	0	82,200
0	**160,411**	**Total Creditors**	**0**	**239,692**

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

Soft Loans made by the Council

The Council have deferred payment agreements made prior to 1 April 2015 where residential care clients exercised their choice to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value includes an interest element based on the average rate of interest payable on the Council's debt for the year (3.99%). From 1 April 2015 the Council created a Deferred Payments Scheme as required by the Care Act 2014. This scheme includes an interest charge at market rate, therefore any new agreements are not soft loans.

The Council makes loans for car purchase to 43 employees in the authority who are in posts that need them to drive regularly on the Council's business. Interest is charged on the loans at 1% plus Bank of England Base Rate, but the Council assesses that an unsubsidised rate for such loans would have been 2.5% plus Bank of England Base Rate.

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

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

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

None of the companies are quoted on the stock exchange.

2019-20					2020-21			
Nominal Value at 31 March	**Fair Value at 31 March**	**Increase/ (Decrease) in Fair Value**	**Dividends Paid***		**Nominal Value at 31 March**	**Fair Value at 31 March**	**Increase/ (Decrease) in Fair Value**	**Dividends Paid**
£000s	**£000s**	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**	**£000s**
				Non-listed securities:				
0	0	(390)	0	Norwich Airport	0	0	0	0
1	2,981	932	536	Legislator 1656	1	3,235	254	0
1	0	0	0	Legislator 1657	1	0	0	0
2	**2,981**	**542**	**536**	**Total**	**2**	**3,235**	**254**	**0**

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

Income, Expense, Gains and Losses

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

2019-20		2020-21
£000s		**£000s**
	Interest revenue:	
(3,581)	Financial assets measured at amortised cost	(1,754)
(3,581)	**Total interest revenue**	**(1,754)**
	Interest expense:	
34,016	Financial assets measured at amortised cost	34,215
34,016	**Total interest expense**	**34,215**
30,435	**Net (gain)/loss for the year**	**32,461**

Fair Values of Financial Assets

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

Fair Value through Other Comprehensive Income:

31 March 2020				31 March 2021
£000s	**Recurring fair value measurements**	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**£000s**
2,981	Legislator 1656	Level 3	Adjusted Net Assets Valuation	3,235
0	Legislator 1657	Level 3	Adjusted Net Assets Valuation	0
2,981	**Total**			**3,235**

The Council's shareholding in Legislator companies are not traded in an active market. The fair value of £3.235m has been based on valuation techniques that are not based on observable current market transactions or available market data. From 20-21 the fair value of Legislator 1656 has been based on NPS Property Consultants Limited valuation of land that the company owns, both companies have no other significant assets or liabilities. In previous years the valuation has been made by an independent third party based on an analysis of the fixed assets and liabilities in the companies' latest audited accounts.

There have been no transfers between levels of the Fair Value Hierarchy.

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

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

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to supply the fair value under PWLB debt redemption procedures;
- The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this supplies a sound approximation for fair value for these instruments;

- for loans receivable prevailing benchmark market rates have been used to supply the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2020 Carrying amount	31 March 2020 Fair value		31 March 2021 Carrying amount	31 March 2021 Fair value
£000s	£000s		£000s	£000s
		Financial Liabilities		
670,208	1,171,973	PWLB debt	713,793	1,081,958
45,012	80,657	Non PWLB debt	44,958	72,558
50,082	84,491	PFI and finance lease liabilities	48,170	77,061
106,946	106,946	Short term creditors	157,492	157,492
872,248	**1,444,067**	**Total**	**964,413**	**1,389,069**

The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair value of PWLB loans of £1.088bn measures the economic effect of the terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the added interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

31 March 2020 Carrying amount	31 March 2020 Fair value		31 March 2021 Carrying amount	31 March 2021 Fair value
£000s	£000s		£000s	£000s
		Financial Assets		
85,103	85,103	Investments	80,075	80,075
72,034	72,034	Cash and cash equivalents	126,488	126,488
73,642	73,642	Long term debtors	67,695	67,695
93,627	93,627	Short term debtors	109,220	109,220
324,406	**324,406**	**Total**	**383,478**	**383,478**

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

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

22. Debtors

These are people and organisations that owe money to the Council at the end of the year. Short term debt is money expected to be paid within 12 months of the balance sheet date. Money due after this period is accounted for as long term. The trade customer total includes the adjustment for the Council's share of collection fund arrears and bad debt provision, as informed by the District Councils, in relation to the collection of council tax and business rates. The total for other receivables includes employee car loans.

31 March 2020			31 March 2021	
Long Term £000s	**Short Term £000s**		**Long Term £000s**	**Short Term £000s**
		Trade Customers		
3,289	56,690	- Service Recipients	2,952	52,345
0	70,192	- Other Trade Customers	0	89,008
21,717	4,008	Subsidiaries	29,314	2,592
48,636	1,562	Other Receivables	35,429	7,030
0	15,357	Prepayments	0	14,327
73,642	**147,809**	**Total Debtors**	**67,695**	**165,302**

23. Cash and Cash Equivalents

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

31 March 2020		31 March 2021
£000s		**£000s**
(16,599)	Cash and Bank balances	(4,361)
88,633	Short term deposits with the Money Market	130,849
72,034	**Total Cash and Cash Equivalents**	**126,488**

24. Assets Held for Sale

2019-20		2020-21
£000s		**£000s**
593	**Balance outstanding at start of year**	**4,300**
	Assets newly classified as held for sale:	
7,890	- Property plant and equipment	5,279
(4,174)	Assets sold	(3,170)
(9)	Other Movements	(3)
4,300	**Balance outstanding at year end**	**6,406**

Fair value hierarchy

Of the Council's assets held for sale at 31 March 2020, 4 assets, valued at £2.522m, have been assessed as Level 3 for valuation purposes. All other assets held for sale, and all those held at 31 March 2021 have been assessed as Level 2. The valuation levels are as set out for Investment Properties as described in note 20.

25. Creditors

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

31 March 2020		31 March 2021
£000s		**£000s**
121,753	Trade Payables	185,030
5,697	Subsidiaries	9,118
25,778	Other Payables	36,375
	Receipts in advance	
3,860	- Contract Liabilities	2,332
3,323	- Other receipts in advance	6,837
160,411	**Total Short Term Creditors**	**239,692**

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

31 March 2020		31 March 2021
£000s		**£000s**
2,963	Contract Liabilities at the beginning of the year	3,860
3,851	Increases due to cash received	2,319
(2,954)	Transfers from contract liabilities recognised at the beginning of the period to payables	(3,847)
3,860	**Contract Liabilities at the end of the year**	**2,332**

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

26. Provisions

The County Council has made several provisions to set aside sums to meet liabilities that are likely or certain to happen but where the amount or timing of the payments is not known. Details of these provisions are as follows:

	Insurance	Landfill Provision	Redundancy	Other Provisions	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Opening balance 1 April 2020	**9,961**	**12,647**	**28**	**8,554**	**31,190**
Extra provisions made in 2020-21	3,456	530	20	894	**4,900**
Amounts used in 2020-21	(3,417)	(618)	(28)	(716)	**(4,779)**
Amounts reversed to revenue	0	0	0	(5,688)	**(5,688)**
Closing Balance 31 March 2021	**10,000**	**12,559**	**20**	**3,044**	**25,623**
Consists of:					
Current Provisions	(93)	0	20	3,044	**2,971**
Long Term Provisions	10,093	12,559	0	0	**22,652**
Total	**10,000**	**12,559**	**20**	**3,044**	**25,623**

Details of provisions:

Provision	Description
Insurance	This provision meets insurance claims funded by the Council. The County Council self-funds the first £250,000 of every employers and public liabilities insurance claim, motor and property claim and is currently funded to meet all known claims that are due to be paid by the Council beneath this level. The provision includes claims that have happened but not reported to the Council.
Landfill	This provision is the discounted cost of making adequate provision for the monitoring and maintenance of closed landfill sites following guidance issued by the Environment Agency for fulfilling obligations under the Landfill Directive. The provision was first recognised in the financial statements in 2012-13, balanced by an addition to Surplus Assets within Property, Plant and Equipment.
Redundancy	This is to meet the costs for individuals who have been made redundant prior to the end of the financial year but will not leave the Council until the following financial year.
Other Provisions	These include a provision relating to EU regulations in respect of Retained Firefighters; a provision for holiday pay for former Council employees where the employee is now employed by Norse Commercial Services Ltd; and a provision in respect of potential appeals on Business Rates administered by the District Councils.

27. Usable Reserves

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

The General Fund Balance consists:

31 March 2020		31 March 2021
£000s		**£000s**
19,706	General Fund Reserve	23,763
89,402	Earmarked Reserves (Note 17 on page 47)	144,635
109,108	**Total General Fund Balance**	**168,398**

28. Unusable Reserves

31 March 2020		31 March 2021
£000s		**£000s**
233,274	Revaluation Reserve	202,742
2,979	Financial Instruments Revaluation Reserve	3,233
690,085	Capital Adjustment Account	705,551
(2,761)	Financial Instruments Adjustment Account	(2,707)
(1,119,810)	Pensions Reserve	(1,587,281)
2,314	Collection Fund Adjustment Account	(18,028)
(8,023)	Accumulated Absences Account	(5,983)
0	Dedicated Schools Grant Adjustment Account	(31,797)
(201,942)	**Total Unusable Reserves**	**(734,270)**

Revaluation Reserve

This reserve holds the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance reduces when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are used through depreciation; or
- Disposed of and the gains are realised.

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

2019-20		2020-21
£000s		**£000s**
225,535	**Balance at 1 April**	**233,274**
35,350	Upward revaluation of assets	30,286
(11,259)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(45,120)
24,091	**Surplus or (deficit) on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement**	**(14,834)**
(6,253)	Difference between fair value depreciation and historical cost depreciation	(5,915)
(10,099)	Accumulated gains on assets sold or scrapped	(9,783)
(16,352)	**Amount written off to the Capital Adjustment Account**	**(15,698)**
233,274	**Balance at 31 March**	**202,742**

Financial Instruments Revaluation Reserve

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

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

2019-20		2020-21
£000s		**£000s**
1,201	**Balance at 1 April**	**2,979**
932	Upward revaluation of investments	254
0	Downward revaluation of investments	0
846	Disposal of financial instruments*	0
2,979	**Balance at 31 March**	**3,233**

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account holds accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be used by the Council. It also holds revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 16 shows details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019-20		2020-21
£000s		**£000s**
707,956	**Balance at 1 April**	**690,085**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(62,647)	- Charges for depreciation and impairment non-current assets	(59,935)
(8,077)	- Revaluation gains/(losses) on property, plant and equipment	(36,040)
744	- Movement in the fair value of investment properties	(2,979)
(753)	- Amortisation of intangible assets	(698)
(48,017)	- Revenue expenditure funded from capital under statute	(35,993)
(40,404)	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 6)	(20,982)
(159,154)		**(156,627)**
15,506	Adjusting amounts written out of the Revaluation Reserve	15,698
(143,648)	**Net written out amount of the cost of non-current assets consumed in the year**	**(140,929)**
	Capital financing applied in the year:	
2,000	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,627
5,525	- Use of capital receipts to repay the principal of amounts previously borrowed	2,000
0	- Donated Asset income credited to the Comprehensive Income and Expenditure Statement	1,016
79,106	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been used to capital financing	106,226
38,845	- Application of grants to capital financing from the Capital Grants Unapplied Account	35,395
300	- Statutory provision for the financing of capital investment charged against the General Fund	7,761
0	- Capital expenditure charged against the General Fund	2,371
125,776		**156,396**
1	Other Adjustments	(1)
690,085	**Balance at 31 March**	**705,551**

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.

2019-20		2020-21
£000s		**£000s**
(2,804)	**Balance at 1 April**	**(2,761)**
0	Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
43	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year following statutory requirements	54
(2,761)	**Balance at 31 March**	**(2,707)**

Pensions Reserve

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

2019-20		2020-21
£000s		**£000s**
(1,427,290)	**Balance at 1 April**	**(1,119,810)**
381,556	Net remeasurements of the defined benefit liabilities and assets	(391,925)
(140,633)	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	(124,007)
66,557	Employers pensions contributions and direct payments to pensioners payable in the year	69,789
(1,119,810)	**Balance at 31 March**	**(1,565,953)**

Collection Fund Adjustment Account

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

2019-20		2020-21
£000s		£000s
6,888	**Balance at 1 April**	**2,314**
(4,574)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year following statutory requirements	(20,342)
2,314	**Balance at 31 March**	**(18,028)**

Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account. The amount charged to the Comprehensive Income and Expenditure Statement is the difference between remuneration on an accruals basis and following statutory requirements.

2019-20			2020-21	
£000s	£000s		£000s	£000s
	(7,899)	**Balance at 1 April**		**(8,023)**
7,899		Settlement or cancellation of accrual made at the end of the preceding year	8,023	
(8,023)		Amounts accrued at the end of the current year	(5,983)	
	(124)	Amount charged to the Comprehensive Income and Expenditure Statement		2,040
	(8,023)	**Balance at 31 March**		**(5,983)**

Dedicated Schools Grant Adjustment Account

This account holds the deficit balances of the Dedicated Schools Grant. The School and Early Years Finance (England) Regulations 2020 state DSG deficit balances are to be held within the local authority's overall DSG. Authorities cannot fund a deficit from the general fund without the secretary of state's approval. This reserve became an unusable reserve from 1 April 2020.

		2020-21
		£000s
	Balance at 1 April	**0**
	Opening Balance adjustments on reclassification	(19,703)
	Current year Deficit (Note 15 on page 43)	(12,094)
	Balance at 31 March	**(31,797)**

29. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is in the table below (including the value of assets gained under finance leases and PFI contracts), together with the resources used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement on the CFR is analysed in the second part of this note.

2019-20		2020-21
£000s		**£000s**
777,846	**Opening Capital Financing Requirement**	**827,765**
	Capital Investment	
121,242	- Property, plant and equipment	172,427
0	- Investment properties	6,837
48,018	- Revenue expenditure funded from capital under statute	35,993
8,389	- Loans / share capital	4,103
	Sources of Finance	
(7,525)	- Capital receipts	(3,627)
	- Donated asset income	(1,016)
(117,951)	- Government grants and other contributions	(141,621)
	- Sums set aside from revenue:	
0	- Direct revenue contributions	(2,371)
(2,254)	- Minimum revenue provision	(11,445)
827,765	**Closing Capital Financing Requirement**	**887,045**
	Explanation of Movements in Year	
(2,254)	Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(11,445)
52,173	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	70,725
49,919	**Increase/(decrease) in Capital Financing Requirement**	**59,280**

30. Leases

Council as Lessee:

i) Finance Leases

The Council has obtained the following assets under finance leases:

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

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

31 March 2020		31 March 2021
£000s		£000s
11,203	Land and buildings	11,237
951	Vehicles, plant and equipment	458
2,911	Heritage Assets	2,911
15,065	**Total**	**14,606**

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

31 March 2020		31 March 2021
£000s		£000s
	Finance lease liabilities (net present value of minimum lease payments):	
336	- Current	325
536	- Non-current	211
38	Finance costs payable in future years	12
910	**Total**	**548**

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

31 March 2020 Minimum Lease Payments £000s	31 March 2020 Finance Lease Liabilities £000s		31 March 2021 Minimum Lease Payments £000s	31 March 2021 Finance Lease Liabilities £000s
362	336	Not later than one year	335	325
548	536	Later than one year and not later than five years	213	211
0	0	Later than five years	0	0
910	**872**	**Total**	**548**	**536**

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

ii) Operating Leases

The Council uses leased vehicles and communication equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2020-21 was £0.920m (£1.121m in 2019-20).

The Council leases several properties on short term leases which are treated as operating leases. The rentals payable in 2020-21 were £1.915m (£1.381m in 2019-20).

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to all operating leases was £2.834m (£2.502m in 2019-20).

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

31 March 2020		31 March 2021
£000s		**£000s**
1,586	Not later than one year	1,521
4,642	Later than one year and not later than five years	4,834
10,221	Later than five years	9,680
16,449	**Total**	**16,035**

Council as Lessor:

i) Finance leases

The Council has leased out school buildings to Academy schools on 125-year finance lease agreements according to provisions of the Academies Act 2010. The Council has also leased out the Council's interest in the Forum complex to the Forum Trust for 125 years from September 2001. The rentals for all these leases are peppercorn rentals.

The Council also owns several other properties, including heritage assets, which are leased out on finance leases for peppercorn rents.

ii) Operating leases

The Council leases out property under operating leases for several services, including Economic Development and the County Farms estate.

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

31 March 2020		31 March 2021
£000s		**£000s**
2,882	Leases expiring within 1 year	3,321
10,304	Leases expiring within 2 to 5 years	11,798
12,266	Leases expiring after 5 years	20,201
25,452	**Total**	**35,320**

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

31. PFI and similar contracts

At 31 March 2021, the Council had two PFI contracts with private sector contractors:

Norwich Schools Private Finance Initiative (PFI)

On 20 March 2006, the Council contracted with Academy Services (Norwich) Limited to provide, under the PFI, four new build replacement primary schools, one new build junior school and one extended and refurbished secondary school.

The 5 newly constructed schools were completed by August 2008 and included in the Council's non-current assets total along with the value of the enhancement to Taverham High school. All the schools are revalued in line with the accounting policy for land and buildings. Since 2008 four of the schools, Taverham High, Heartsease Primary, Lionwood Junior and Bluebell Primary, have converted to Academy status and Lakenham Primary has converted to Foundation status. The Council's balance sheet no longer includes the associated non-current assets.

Street Lighting Private Finance Initiative (PFI)

On 3 November 2007, the Council contracted with Amey Street Lighting (Norfolk) Ltd. The contract began on 4 February 2008, when Amey took over the provision of a street lighting service using the existing equipment. The contract resulted in the renewal of 50% of streetlights, signs and bollards over a 5-year period. The contract expects the contractor to keep 100% of the lighting points (approximately 60,000) up to a specified standard and to upgrade all those not renewed in the first 5 years to modern lighting standards by year 15 of the contract.

The renewal of the columns took place over a 5-year period, the core improvement programme. The value of the replacement columns is included within the Council's assets as Highways Infrastructure assets at historic cost.

Salt Barns Private Finance Initiative (PFI)

The Council signed a PFI contract to supply serviced salt storage facilities on 30 March 2000 and the project began in September 2000. The PFI arrangement has finished, with the Salt domes transferred to Norfolk County Council as of 01 May 2020.

Property, Plant and Equipment

Subject to adjustments for schools which have transferred to academy status, the assets used to deliver services in these schemes are included on the Council's Balance Sheet. Movements in their value over the year are shown in the analysis of the movement on the Property, Plant and Equipment balance in note 18.

Payments

The Council makes payments each year which increase each year by inflation and can be reduced if the contractor does not meet availability and performance standards in any year. Residual payments to be made under the PFI contracts at 31 March 2021 (excluding any estimation of future inflation and availability/performance deductions) are as follows:

Total at 31 March 2020		Reimbursement of capital expenditure	Payment for services	Interest	Total at 31 March 2021
£000s		£000s	£000s	£000s	£000s
12,568	Payable within 1 year	1,880	6,780	4,295	12,955
50,080	Payable within 2-5 years	12,482	24,112	14,986	51,580
62,922	Payable within 6-10 years	23,587	30,489	10,876	64,952
32,680	Payable within 11-15 years	9,685	9,659	1,173	20,517
158,250	**Total**	**47,634**	**71,040**	**31,330**	**150,004**

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure continues to be reimbursed.

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

2020-21	Norwich Schools PFI	Street Lighting	Salt Barns	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	**22,132**	**27,078**	**0**	**49,210**
Payments during the year	(3,542)	(2,483)	0	(6,025)
Finance lease cost	2,228	2,221	0	4,449
Balance outstanding at year end	**20,818**	**26,816**	**0**	**47,634**

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

32. Pension Schemes accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The scheme provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded, and Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to extract its share of the underlying financial position and performance of the Scheme with enough reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore treated on the same basis as a defined contribution scheme.

In 2020-21, the County Council paid £18.130m to Teachers' Pensions in respect of teachers' retirement benefits, being 23.68% of pensionable pay. The figures for 2019-20 were £15.725m and 20.66%. There were no contributions outstanding at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 33.

NHS Pension Scheme

Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that scheme on transfer at 1 April 2013. The NHS scheme is an unfunded, defined benefit scheme, but is accounted for in the NHS as if it were a defined contribution scheme. The Council is not able to extract its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020-21, the County Council paid £0.168m to the NHS Pension Scheme in respect of Public Health and Mental Health staff's retirement benefits, representing 14.38% of pensionable pay. The figures for 2019-20 were £0.170m and 14.38%. There were no contributions outstanding at the year end.

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make future payments and thus these need to be shown as a future entitlement.

The Council contributes in two post employment schemes:

- The Local Government Pension Scheme (the Norfolk Pension Fund) for civilian employees, administered by the County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Fire Pension Scheme for Firefighters – this is an unfunded defined benefit final salary scheme administered by West Yorkshire Pension Fund, meaning that there are no investment assets built up to meet the pensions liabilities, and cash must be generated to meet actual pensions payments as they eventually fall due. Details of the scheme are shown in the supplementary statement on page 130.

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

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

Transactions relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are paid as pensions. However, the charge the Council is expected to make against council tax is based on the cash payable in the year, so the full cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2019-20 Local Government Pension Scheme £000s	2019-20 Firefighters Pension Scheme £000s		2020-21 Local Government Pension Scheme £000s	2020-21 Firefighters Pension Scheme £000s
		Comprehensive Income and Expenditure Statement:		
		- Cost of Services:		
107,433	6,600	- Current service cost	93,625	5,000
(2,401)	(1,900)	- Past service costs/(gains)	282	0
(3,242)	(700)	- (Gain)/loss from settlements	97	(1,100)
		Financing and Investment Income and Expenditure:		
26,043	8,800	- Net interest expense	18,503	7,600
127,833	**12,800**	**Total post employment benefit charged to the Surplus or Deficit on the Provision of Services**	**112,507**	**11,500**
		Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:		
		- Remeasurement of the net defined pension liability including:		
109,678	0	- Return on plan assets (excluding the amount included in the net interest expense)	(395,949)	0
(74,045)	(11,300)	- Actuarial (gains) and losses arising on changes in demographic assumptions	695,137	4,300
(232,808)	(32,700)	- Actuarial (gains) and losses arising on changes in financial assumptions	38,306	79,200
(143,381)	3,000	- Other (if applicable)	(26,769)	(2,300)
(212,723)	**(28,200)**	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**	**423,232**	**92,700**
		Movement in Reserves Statement:		
(127,833)	(12,800)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits following the Code	(112,507)	(11,500)
		Actual amount charged against the General Fund balance for pensions for the year:		
59,457		Employers contributions payable to the scheme*	61,599	
	7,100	Retirement benefits payable to pensioners		7,300

*(includes contributions in respect of unfunded benefits)

The 2019-20 past service gain includes £8.321m for the reduction in the estimated impact of the McCloud ruling following the MHCLG consultation.

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:

2019-20			2020-21	
Funded liabilities: Local Government Pension Scheme £000s	**Unfunded liabilities: Firefighters Pension Scheme £000s**		**Funded liabilities: Local Government Pension Scheme £000s**	**Unfunded liabilities: Firefighters Pension Scheme £000s**
(2,636,836)	(330,800)	Present value of the defined benefit obligation	(3,435,636)	(416,200)
1,847,826	0	Fair value of plan assets	2,285,883	0
(789,010)	**(330,800)**	**Net liability arising from defined benefit obligation**	**(1,149,753)**	**(416,200)**

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

2019-20			2020-21	
Funded liabilities: Local Government Pension Scheme £000s	**Unfunded liabilities: Firefighters Pension Scheme £000s**		**Funded liabilities: Local Government Pension Scheme £000s**	**Unfunded liabilities: Firefighters Pension Scheme £000s**
2,984,597	**366,100**	**Balance at 1 April**	**2,636,836**	**330,800**
107,433	6,600	Current service cost	93,625	5,000
72,131	8,800	Interest cost	60,989	7,600
14,722	1,600	Contributions by scheme participants	15,666	1,700
		Remeasurement (gains) and losses:		
(74,045)	(11,300)	Actuarial gains and losses arising on changes in demographic assumptions	695,137	4,300
(232,808)	(32,700)	Actuarial gains and losses arising on changes in financial assumptions	38,306	79,200
(143,381)	3,000	Other (if applicable)	(26,769)	(2,300)
(2,401)	(1,900)	Past service costs/(gains)	282	0
(8,909)	(700)	Losses/(gains) on curtailments	(2.966)	(1,100)
0	0	Business Combinations and Disposals	2,963	0
0	0	Transfers in/out to Other Authorities	0	100
(80,503)	0	Benefits paid	(78,433)	0
0	(8,700)	Pension and lump sum expenditure	0	(9,100)
2,636,836	**330,800**	**Balance at 31 March**	**3,435,636**	**416,200**

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

31 March 2020		31 March 2021
Local Government Pension Scheme £000s		**Local Government Pension Scheme £000s**
1,923,407	**Opening fair value of scheme assets**	**1,847,826**
46,088	Interest income	42,486
	Remeasurement (gain)/loss:	
(109,678)	The return on plan assets, excluding the amount included in the net interest expense	395,949
59,457	Employer contributions	62,489
14,722	Contributions from employees into the scheme	15,666
(80,503)	Benefits paid	(78,433)
0	Business Combinations and Disposals	2,073
(5,667)	Other (gain/loss from settlements)	(2,173)
1,847,826	**Balance at 31 March**	**2,285,883**

Local Government Pension Scheme Assets included:

31 March 2020					31 March 2021			
Quoted prices in active markets	**Quoted prices not in active markets**	**Total**	**Percentage of Total Assets**	**Asset Category**	**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**Percentage of Total Assets**
£000s	**£000s**	**£000s**	**%**		**£000s**	**£000s**	**£000s**	**%**
				Equity Securities:				
68,472	-	68,472	5%	Consumer	-	-	-	0%
54,293	-	54,293	4%	Manufacturing	-	-	-	0%
16,556	-	16,556	1%	Energy and Utilities	-	-	-	0%
46,414	-	46,414	3%	Financial Institutions	-	-	-	0%
42,890	-	42,890	3%	Health and Care	-	-	-	0%
57,029	-	57,029	4%	Information Technology	-	-	-	0%
29	-	29	0%	Other	-	-	-	0%
				Debt Securities:				
21,473	-	21,473	1%	UK Government	26,019	-	26,019	1%
				Private Equity:				
-	111,200	111,200	8%	All	-	145,038	145,038	6%
				Real Estate:				
-	158,997	158,997	11%	UK Property	-	181,770	181,770	8%
-	36,409	36,409	3%	Overseas Property	-	46,229	46,229	2%

31 March 2020					31 March 2021			
Quoted prices in active markets	**Quoted prices not in active markets**	**Total**	**Percentage of Total Assets**	**Asset Category**	**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**Percentage of Total Assets**
£000s	**£000s**	**£000s**	**%**		**£000s**	**£000s**	**£000s**	**%**
				Investment Funds and Unit Trusts:				
534,074	-	534,074	37%	Equities	1,018,707	-	1,018,707	45%
602,087	-	602,087	42%	Bonds	678,633	-	678,633	30%
-	51,610	51,610	4%	Infrastructure	-	144,571	144,571	6%
-	-	-	0%	Other	-	8,415	8,415	0%
				Derivatives:				
-	(2,593)	(2,593)	0%	Foreign Exchange	845	-	845	0%
				Cash and Cash equivalents:				
-	48,886	48,886	3%	All	35,656	-	35,656	2%
1,443,317	**404,509**	**1,847,826**	**100%**	**Totals**	**1,759,860**	**526,023**	**2,285,883**	**100%**

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

Basis for estimating assets and liabilities

Liabilities have been measured on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Firefighters' 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:

2019-20			2020-21	
Local Government Pension Scheme	**Firefighters Pension Scheme**		**Local Government Pension Scheme**	**Firefighters Pension Scheme**
		Mortality assumptions:		
		Longevity at 65 (60 for firefighters' scheme) for current pensioners:		
21.7	26.4	- Men	21.9	26.6
23.9	28.5	- Women	24.3	28.9
		Longevity at 65 (60 for firefighters' scheme) for future pensioners:		
22.8	27.5	- Men	23.2	27.9
25.5	29.7	- Women	26.2	30.3

2019-20			2020-21	
Local Government Pension Scheme	Firefighters Pension Scheme		Local Government Pension Scheme	Firefighters Pension Scheme
	2.80%	Rate of inflation		3.30%
2.60%	2.80%	Rate of increase in salaries	3.55%	3.30%
1.90%	1.90%	Rate of increase in pensions	2.85%	2.85%
2.30%	2.30%	Rate for discounting scheme liabilities	2.00%	2.00%

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

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

Local Government Pension Scheme:

2020-21 Change in assumptions	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	10%	339,862
0.5% increase in the salary increase rate	1%	29,580
0.5% increase in the pension increase rate	9%	303,412

The Council's actuaries estimate that a one-year increase in life expectancy would approximately increase the scheme liabilities (defined benefit obligation) by around 3%-5% (approximate monetary amount £103.069m - £171.782m).

Firefighters Pension Scheme

2020-21 Change in assumptions	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	9%	39,180
1 year increase in member life expectancy	3%	12,457
0.5% increase in the salary increase rate	0%	1,610
0.5% increase in the pension increase rate	8%	33,101

Impact on the Council's cash flows

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

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

The Council predicts to account for £58.121m employer contributions to the scheme in 2021-22.

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

34. Nature and Extent of risks arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council because of changes in such measures as interest rates movements.

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

Risk management is undertaken out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council specifies written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

<u>Credit Risk</u>

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Annual Investment and Treasury Strategy 2020-21 and the Capital Strategy and Programme 2020-21 as approved by full Council on 17 February 2020, available on the Council's website. The debt recovery policy and framework are part of the council's financial regulations.

<u>Credit Risk Management Practices</u>

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

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

For Treasury Investments the authority's credit risk management practices are set out in the Annual Investment and Treasury Strategy. The council uses the following when determining whether the credit risk of financial instruments has increased significantly since first recognition:

- For deposits made with banks and financial institutions the Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, and other market information to give early warning of likely changes in creditworthiness.
- Where a loan has been given to a third party, the annual financial statements and credit reference agency ratings are used to assess continuing creditworthiness in the context of general economic

forecasts. Contractual repayment dates are checked to ensure prompt receipts of principal and interest, to show delays which might be a sign of liquidity problems.

The Council does not generally allow extended credit for customers for goods and services. The Council introduces a legal charge on property where, for instance, clients need the help of Social Services but cannot afford to pay straightaway. The total collateral at 31 March 2021 was £2.673m.

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

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

- For all amortised cost financial instruments, other than non-statutory debtors, suitable credit reference metrics are used to calculate expected credit loss on a case by case basis. If there are any specific factors showing business risk, then the best available information will be used to calculate expected credit loss.
- Debt collection data is presented to elected members regularly in finance monitoring reports. These reports include the percentage of invoiced income collected within 30 days, areas of high unpaid debts, outstanding secured and unsecured debt, and the value of debts written off. These factors, a long term analysis and projection of debts written off, including trends over time, have been used as the basis for calculating the expected credit loss for short term debtors.

Amounts Arising from Expected Credit Losses

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

31 March 2020		31 March 2021
£000s		**£000s**
6,364	Opening Balance at 1 April	4,642
1,430	New financial assets originated or bought	2,188
(2,280)	Financial assets that have been derecognised	(443)
(872)	Other Changes	(890)
4,642	**Balance as at 31 March**	**5,497**

The loss allowance is calculated using the lifetime expected credit losses (simplified approach). During the year the Council wrote off no financial assets that are still subject to enforcement activity.

Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2021:

2020-21	Credit Risk Rating (as used by the Council)	Gross Carrying Amount £000s
12-month expected credit losses	AAA	90,849
	AA	0
	A	115,714
	Not Rated	67,695
Simplified approach	Not Rated	110,087

Liquidity Risk

The Council has a comprehensive cash flow management system that looks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a considerable proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowings during specified periods. The strategy through 2020-21 ensured that no more than 15% of loans are due to mature within any rolling two-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

31 March 2020			31 March 2021
£000s	**Maturity Structure**	**Upper Limit**	**£000s**
13,802	Less than one year	15%	12,418
2,500	Between one and two years	15%	12,750
49,750	Between two and five years	45%	57,750
84,400	Between five and ten years	75%	77,650
564,768	More than ten years	100%	598,183
715,220	**Total**		**758,751**

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

Market Risk

a) Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not shown at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not change the Surplus or Deficit on the Provision of Services or other Comprehensive

Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments are included in the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has several strategies for managing interest rate risk. The Annual Investment and Treasury Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which supplies maximum limits for fixed and variable interest rate exposure. The central treasury team will check market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rate borrowing would be postponed.

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

	£000s
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	1,487
Impact on surplus or deficit on the Provision of Services	**1,487**
Decrease in fair value of fixed rate investment assets	N/A
Impact on Other Comprehensive Income and Expenditure	**N/A**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	184,768

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

b) Price Risk

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

The Council does have shares in seven wholly owned companies (including the Norse Group), two other controlled companies and in a local authority purchasing consortium operated by a joint committee. The Council is not exposed to movements in the price of the shares as these are not being traded but would be subject to any change in fair value upon disposal.

c) Foreign Exchange Risk

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

35. Foundation Schools

The Schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools supported by the local authority. The change for funding purposes took effect from 1 April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation Schools in the balance sheet. Fixed assets and long term liabilities are entrusted to the Governing Bodies of individual Foundation Schools and are not included in the balance sheet.

During 2020-21 no schools changed to or from Foundation status, giving a total in this authority area of 28 Foundation Schools (28 in 2019-20).

36. Funds Administered for Third Parties

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

31 March 2020		31 March 2021
£000s		**£000s**
9,349	Norfolk Pension Fund	13,907
0	Norse Commercial Services Ltd	21,916
3,198	Norse Care Ltd	0
2,264	Independence Matters CIC	3,409
14,811	**Total**	**39,232**

37. Trust Funds

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

Supporting the Cash Flow Statement

38. Cash Flows from Operating Activities

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

2019-20		2020-21
£000s		£000s
(56,899)	Depreciation	(57,051)
(13,826)	Impairment and downward valuations	(38,924)
(8,299)	(Increase)/decrease in creditors	(67,975)
(15,424)	Increase/(decrease) in debtors	11,061
(74,076)	Movement in Pension Liability	(54,218)
(39,168)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(20,982)
(5,513)	Other non-cash items charged to the net surplus or deficit on the provision of services	3,033
(213,205)		**(225,056)**

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

2019-20		2020-21
£000s		£000s
(3,661)	Interest received	(1,782)
33,466	Interest paid	34,313
(1,280)	Dividends received	(1,521)

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

2019-20		2020-21
£000s		£000s
117,427	Capital grants credited to the deficit on the provision of services	139,035
4,880	Proceeds from the sale of property, plant and equipment	5,218
561	Proceeds from short term investments (not considered to be cash equivalents) and long term investments	(5,000)
122,868		**139,253**

39. Cash Flows from Investing Activities

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

2019-20		2020-21
£000s		£000s
130,555	Purchase of property, plant and equipment, investment property and intangible assets	167,045
53,990	Purchase of short term and long term investments	0
4,968	Other payments for investing activities	4,103
(5,713)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,218)
(1,797)	Proceed from short term and long term investments	0
(114,764)	Other receipts from investing activities	(135,561)
67,239	**Net cash flows from investing activities**	**30,369**

40. Cash Flows from Financing Activities

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

2019-20		2020-21
£000s		£000s
(87,100)	Cash receipts of short term and long term borrowing	(50,000)
1,603	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,912
6,870	Repayments of short term and long term borrowing	6,371
(78,627)	**Net cash flows from financing activities**	**(41,717)**

Reconciliation of Liabilities Arising from Financing Activities:

2020-21	Balance as at 1 April £000s	Financing Cash Flows £000s	Non-Cash Changes £000s	Balance as at 31 March £000s
Long term borrowings	(701,418)	(48,842)	3,927	(746,333)
Short term borrowings	(13,802)	5,213	(3,829)	(12,418)
Lease liabilities	(872)	336	0	(536)
On balance sheet PFI liabilities	(49,210)	1,576	0	(47,634)
Total liabilities from financing activities	**(765,302)**	**(41,717)**	**98**	**(806,921)**

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

Other Notes

41. Accounting Policies

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year end of 31 March 2021. The Council must prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which need to be prepared following proper accounting practices. These practices primarily form the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

ii) Recognition of Income and Expenditure

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

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

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will fulfil the conditions attached to the payments, and the grants or contributions will be received. If the conditions have not been satisfied, the grants or contributions are shown in the Balance Sheet as creditors. When conditions are fully satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants (including Community Infrastructure Levy contributions) are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been used to fund capital expenditure.

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

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv) Council Tax Income and Business Rates

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

v) Employee Benefits

Benefits payable during employment

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

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

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 Firefighters' Pension Scheme administered by West Yorkshire Fire Service.

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

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

The Local Government Pension Scheme

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

- The liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates, and projected earnings.
- The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

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

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

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

Firefighters Pension Scheme

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

Discretionary Benefits

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

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

vi) Fair Value Measurement

The Council measures the following assets and financial instruments at the appropriate fair value at each reporting date:

- surplus assets,
- investment properties,
- equity shareholdings,
- borrowings,
- PFI and finance lease liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

vii) Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Financial Assets measured at Amortised Cost

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

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

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

Expected credit losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses, where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or still is low, losses are assessed based on 12-month expected losses. The expected credit loss model also applies to lease receivable and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

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

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

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

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

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

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

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

viii) Heritage Assets

Assets will be recognised in the Balance Sheet as Heritage Assets where they are held principally to increase the knowledge, understanding and appreciation of the local area and its history. Heritage Assets obtained before 1 April 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost-effective basis.

Heritage Assets will be recognised, measured, revalued, impaired and disposed of following the Council’s accounting policy on Property, Plant and Equipment. However, some of the measurement rules will be relaxed in relation to Heritage Assets with valuation or historic cost replacing fair value where suitable.

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

ix) Intangible Assets

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

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

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

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

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

x) Interests in Companies and Other Entities

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

xi) Inventories

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

xii) Investment Property

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

Investment properties are measured initially at cost and then at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurements date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Norwich Airport Industrial Estate assets over £0.500m and those assets which may experience significant volatility in fair value are revalued every year, all other assets are revalued on a 5-year rolling basis. See Norwich City Council's Statement of Accounts for further information. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiii) Joint Operations

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

xiv) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately.

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

The Council as Lessee

<u>Finance Leases</u>

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

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

<u>Operating Leases</u>

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a lease (long term debtor) asset in the Balance Sheet. The long term debtor is valued on the future income due under the finance lease.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is kept in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

xv) Overheads and Support Services

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

xvi) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that supports but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The de minimis level for property, plant and equipment is £40,000.

Measurement

Assets are initially measured at cost, including:

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

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

The cost of assets obtained other than by purchase is its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are found, they are accounted for by:

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

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

Componentisation

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

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

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

Impairment

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as recommended by a suitably qualified officer
- infrastructure – straight-line allocation over 12 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 directly before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a later decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal more than £10,000 are categorised as capital receipts. Receipts must be credited to the Capital Receipts Reserve, and can then only be used for the following:

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

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvii) Private Finance Initiative (PFI) Schemes

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to deliver the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment except in the case of schools which have transferred to Academy status.

The Council was involved in two PFI schemes throughout 2020-21 – Norwich Schools and Street Lighting. The Salt Barns contract came an end in April 2020, with the assets transferring to the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Norwich Schools PFI 10.07% and Street Lighting PFI 8.20%).
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xviii) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably needs settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure needed to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be needed (or a lower settlement than expected is made), the provision is reversed and credited back to the relevant service.

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

xix) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xx) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxi) Schools

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

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

xxii) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

42. Accounting Standards issued, not adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code), the Council must disclose information setting out the impact of an accounting change needed by a new accounting standard that has been issued but not yet adopted by the Code.

- Definition of a Business: Amendments to IFRS 3 Business Combinations: This change will have no impact on the single entity or group accounts.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7: These amendments will have no impact on the single entity or group accounts.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: These amendments will have no material impact on the single entity or group accounts.
- The implementation of IFRS16 will have a significant impact on the way in which leased assets are accounted for. This will result in a number of vehicle and property leases currently classified as operating leases to be brought onto the balance sheet. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022. The Norse Group have adopted IFRS16, resulting in £10.350m of operating lease liabilities at the 31 March 2019 being reclassified as finance leases. These are reflected in the Group Accounts at 31 March 2020 along with a corresponding finance liability of £12.116m. The Council has taken the decision to depart from the CIPFA Code and not to adjust the Group Accounts to reverse the impact of IFRS16 adoption. The information required to reverse the impact of IFRS16 in the 2020/21 accounts will not be available from Norse and as the newly recognised assets in the balance sheet are less

than 0.7% it is considered the non-adjustment will not materially impact the users understanding of the accounts. From 1 April 2022 the Council's accounts and group accounts will converge as both will be subject to IFRS16.

43. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 41, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government, particularly given the uncertainty of how the Council's response to the COVID-19 pandemic will be funded. However, the Council has determined that this uncertainty is not sufficiently clear to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision.
- The Dedicated Schools Grant Reserve is a negative reserve. The Department for Education (DfE) regulations (The School and Early Years Finance (England) Regulations 2020) make clear the requirement for any DSG deficit balance to be held within the Council's overall DSG, meaning authorities cannot fund a deficit from the general fund without the Secretary of State's approval. The accumulated DSG deficit is disclosed as an unusable reserve within the accounts.
- The Council is considered to control the services provided under the two operational PFI agreements (Norwich Schools and Street Lighting) and to control the residual value of the assets at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the operational assets (valued at £35.593m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £339.862m. However, the assumptions interact in complex ways. During 2020-21, the Council's actuaries notified that the net pension liability had increased by £360.743m.

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 £2.666m for every year that useful lives had to be reduced.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is needed in determining fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to find the most suitable valuation techniques to determine fair value (for example for investment properties, valuations are undertaken by NPS Property Consultants Limited). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 20 and 21.	To measure the fair value of some of its investment properties, surplus asset and assets held for sale, the Council uses a model based on yields chosen by comparison to comparable transactions adjusted to allow for factors such title constraints, known ground conditions, location, topography and physical constraints. The significant unobservable inputs used in the fair value measurement include management assumptions about planning potential, or untested ground conditions. Significant changes in the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

45. Related Party Transactions

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

Central Government

Central Government has considerable influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council functions, provides most of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of grants received from Government Departments are set out in notes 8 and 9. Grant receipts not yet recognised due to conditions attached to them at 31 March 2021 are included in current liabilities and are shown in note 25.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2020-21 is shown in note 12. The Council wrote to all members requesting details of any related party transactions. There are no disclosures other than the following: The Council has given £1.036m (£1.104m in 2019-20) of funding to several charities for which several members are Trustees. Further details are available in the Register of Member's Interests.

Officers

During the year the Council wrote to all Chief Officers requesting details of any related party transactions. There are no disclosures.

Other Public Bodies:

(i) Eastern Inshore Fisheries and Conservation Authority (EIFCA) – There are three councillors that represent the council on the EIFCA.

(ii) The Council has pooled fund arrangements with Clinical Commissioning Groups and other health bodies. Transactions and balances outstanding are detailed in note 11.

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

(iv) The council is a member, along with six other local authorities, of ESPO. The council has no control over the day to day operations of ESPO, but as a member of the consortium has a share of the company. Further information on ESPO can be found in their own Statement of Accounts.

Pension Fund

During the financial year, the pension fund had an average daily balance of £15.730m of surplus cash deposited with the Council (£14.065m in 2019-20). The Council paid the fund £0.021m interest on these deposits (£0.102m in 2019-20). The Council charged the fund £0.007m (£0.007m in 2019-20) for expenses incurred in administering these balances.

Companies and Joint Ventures

The Council has eight active subsidiary companies, the largest of which is Norse Group Ltd. The Council has 1 member and 1 Chief Officer serving as Norse Group Directors in 2020-21. During the year the total values of payments made to and received from Norse Group Ltd, were £105.379m and £3.665m respectively (£79.593m and £3.405m respectively in 2019-20).

Independence Matters is a Community Interest Company. The total value of payments made to and received from Independence Matters were £17.358m and £0.399m respectively (£20.288m and £0.158m respectively in 2019-20).

Hethel Innovations Ltd (HIL), Repton Property Developments Ltd, Norfolk Safety CIC, NCC HH Limited, and NCC Nurseries Limited are all 100% owned by the Council and were active throughout 2020-21. LCIF2 Limited is 50% owned by the Council and became active in 2020-21. The Great Yarmouth Development Company is 50% owned by the Council and did not trade in 2020-21.

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

Further detail are included in the Group Accounts on page 106.

46. Contingent Liabilities

Financial Guarantees

The Council applies for funding from several diverse sources. In some cases, the funding agreement includes a clause needing the Council to supply a financial guarantee to secure the funding. The guarantees given are not specific and generally relate to agreements to supply revenue and/or capital support for the service for which the funding is given for a specific period.

The Council has given several financial guarantees for project funding, e.g. a restoration and development project at Norwich Castle secured funding in return for guarantees that it would keep staff levels, opening times and a joint programme with East Anglian Film Archive for 25 years after the completion of the project.

Guarantees given prior to 1 April 2006 and not previously recognised on the Balance Sheet do not need to be recognised as financial instruments but can continue to be accounted for as a contingent liability. Regulations made by Government under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, further state that any guarantees given before 8 November 2007 can be accounted for under the previous SORP and can also continue to be accounted for as a contingent liability.

Great Yarmouth Port Company Pension Guarantee

On 25 May 2007, the employees of Great Yarmouth Port Authority, who had transferred into the employment of the new Great Yarmouth Port Company (GYPC), were admitted into the Norfolk Pension Scheme. Norfolk County Council is underwriting any potential liability for these employees to the Pension Scheme. GYPC was required to provide land to the County Council as collateral to cover the liability, the value of which is reviewed every five years. At the time of the most recent valuation (December 2019), attributable pension fund assets exceeded liabilities. The value of collateral property exceeded the total indemnity required by several multiples, and also exceed the gross scheme liabilities plus indemnity required and therefore is considered adequate to meet any obligation that may arise for the Fund.

47. Going Concern

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

The Coronavirus restrictions across the UK, have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as some paid-for services were not able to operate. The government has provided some support for lost income and for the additional costs borne by authorities because of the crisis and the Council has secured £132.7m in this regard.

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

Date	General Fund	Earmarked reserves
31 March 2021	£23.764m	£144.656m

Our expected General Fund and Earmarked Reserve and Provisions position has a predicted balance of £23.8m and £133.1m at 31 March 2022. This remains above our minimum level of General Fund balances as set by the Executive Director of Finance and Commercial Services of £19.6m.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, in excess of £215m, and no expectation of external borrowing other than to support the capital programme which is consistent to our plans and normal practice.

We have carried out an assessment of the impact of COVID-19 on our future finance. Recognising the fundamental changes in operating context brought about by the COVID-19 pandemic, work was undertaken to review and validate the deliverability of the previously planned saving programmes so that changes could be reflected in budget setting for 2021-22. As a result, a number of previously agreed saving proposals were judged to be at risk of either non-delivery or delay. These savings totalling £13.063m were removed or delayed as appropriate from 2021-22 and future years (with a net impact of £10.783m over the full MTFS period)

With other cost pressures, savings and funding increases taken into account the Council has a balanced budget for 2021-22, and a budget gap of £39m in 2022-23. The Council has started the process of developing budget proposals for 2022-23, informed by Government funding announcements and the identification of new cost pressures and opportunities for savings. The Council will launch its public consultation on 2022-23 budget proposals in autumn 2021 and based on previous years we are satisfied that there is no material uncertainty relating to the Council's going concern.

The council submitted claims to MHCLG for lost sales, fees and charges as a result of COVID-19 totalling £13.001m relating to 2020-21. MHCLG are currently reviewing the third and final claim of the year, and it expected that a grant of £8.847m will be provided from government to compensate for this lost income. MHCLG have confirmed the extension to the lost sales, fees and charges compensation scheme into the first three months of 2021-22. The council will submit a claim for this period after MHCLG issue guidance around the extended scheme, this is expected to be published at the end of July 2021. Early forecasts indicate lost sales, fees and charges as a result of COVID-19 totalling £3.215m for the first three months of 2021-22. If the compensation scheme operates with the same deductions in place as 2020-21, the council can expect to receive grant of £1.687m from government to compensate for this level of lost income. The impact of COVID-19 on income levels and the offer of any compensation grant for the remainder of 2021-22 remain uncertain.

Despite these uncertainties, at this early stage of the year the Council is forecasting that overall net expenditure will be within budget for 2021-22 and the projections would not be significantly affected with both minimum levels of reserves and liquidity remaining through 2021-22. For future years, the Council has a well-established process for annual budget setting, and a report to Cabinet has set out proposals for how this will be maintained in relation to 2022-23 to deliver a prudent and transparent approach to budgeting. At the time of 2021-22 budget setting, the Section 151 Officer recommended that early planning should be undertaken in respect of 2022-23 and that the scope to address pressures within the constraints of the overall budget should be reviewed in the round during 2021-22 when further specific details of the longer term funding allocations are known. It will be essential that the Council is able to produce a realistic plan for reducing the budget requirement in future years through the early identification of saving proposals for 2022-23, or the mitigation of currently identified pressures, and that all proposals are considered in the context of the significant budget gap identified for the year.

On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

48. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director of Finance and Commercial Services on 30 July 2021. Events that occur after this date are not reflected in the financial statements or notes. Where events taking place before this date supplied information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no events since 31 March 2021, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

Group Accounts

Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council is involved with several companies and organisations whose assets and liabilities are not included in the Council's single entity statements. In these cases, the Council's interest does not extend to a relationship that could be classified as a subsidiary, associate or joint venture. None of these companies are included in the group accounts.

The Council has interests in several companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. Two of these, Norse Group Ltd and Independence Matters CIC are material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts include core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Norse Group Ltd and Independence Matters CIC.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

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

Entity	Relationship	Consolidated
Norse Group Ltd	Subsidiary	Consolidated
Independence Matters CIC	Subsidiary	Consolidated
Hethel Innovation Ltd	Subsidiary	Not material
Norfolk Safety CIC	Subsidiary	Not material
Repton Property Developments Ltd	Subsidiary	Not material
NCC HH Ltd	Subsidiary	Ceased Trading
NCC Nurseries Ltd	Subsidiary	Not material
LCIF2 Limited	Subsidiary	Not material
Great Yarmouth Development Company Ltd	Subsidiary	Dissolved
NPLaw Limited (formerly Public Law East Ltd)	Subsidiary	Dormant
Legislator companies	No group relationship	Not consolidated
St Edmund's Park Estate Management Limited	Subsidiary	Not material

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 includes Facilities and Waste Management provider Norse Commercial Services Limited (NCS), NPS Property Consultants Limited (NPS) and Norse Care Limited (NCL).

Facilities Management services include cleaning, printing, building maintenance, waste collection, transport, environmental services and security, as well as support services such as human resources and payroll. Waste management includes operating and maintaining landfill sites, waste transfer stations, and recycling facilities, as well as waste collection and composting services.

Property consultancy services include architectural services, CDM and project management, building surveying, valuation and estate management, land agency, quantity surveying, graphic design and archaeological services.

Care services includes the management and staffing of 21 residential homes and 15 housing with care schemes across Norfolk.

The group delivers a comprehensive range of professional services to both public and private sector clients throughout the UK. The group continued to expand and strengthen its position throughout the UK within its core markets, despite pressures caused by the general economic climate and significant reductions in public expenditure.

The group's client list includes many local authorities and housing associations, government departments, health authorities and emergency services.

Norfolk County Council holds 100% of the allotted ordinary shares in Norse Group Ltd amounting to a shareholding of £11.964m. There is no parent indebtedness in the County Council for Norse Group Ltd. The Council has supplied several loans to the Norse Group and its subsidiaries for capital investment purposes, including £10m for energy projects (2015-16) and £6.25m to support the development of the International Aviation Academy Norwich (2016-17). The total balance outstanding on all Norse Group capital loans at 31 March 2021 was £21.717m.

The company's accounting period for 2020-21 is from 1 April 2020 to 31 March 2021. Copies of the final accounts of the company for the period ended 31 March 2021 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 2021 are shown in the table below.

2019-20		2020-21
£000s		**£000s**
72,565	Current Assets	95,920
134,926	Non-current assets	126,316
(72,340)	Current Liabilities	(91,827)
(108,774)	Non-current liabilities.	(118,714)
26,377	**Net Assets for the accounting period**	**11,695**
338,613	Revenue	354,318
7,332	Profit or loss from continuing operations	4,376
4,032	Profit/(Loss) for the accounting period (after Tax)	1,179
2,332	Other comprehensive (expense) / income	(15,861)
6,364	**Total comprehensive (expense) / income**	**(14,682)**
	<u>Extent of non-controlling interests:</u>	
(463)	Non-controlling equity interest	(1,669)
569	Non-controlling interest in the Profit/(Loss) for the accounting period before intra-group eliminations	(1,206)

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

<u>Independence Matters CIC</u>

Independence Matters is a Community Interest Company (CIC) which started trading 1 November 2013. Norfolk County Council owns 49% of the shares with the remaining shares held by an Employee Benefit Trust. Independence Matters CIC is the first 'spin out' social enterprise to be launched by the Council, with over 600 staff transferring from Norfolk County Council's Personal and Community Support Services. From 10 December 2018, Home Support Matters, a Social Enterprise wholly owned by Independence Matters CIC undertook the continuity of care for all former customers of Allied Healthcare.

The main activities of the company are the provision of the following services under contract with Norfolk County Council:

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

During 2020-21, over 90% of the company's turnover of £18.323m was with Norfolk County Council. The company is therefore considered to be controlled by Norfolk County Council and is fully consolidated into these group financial statements.

Hethel Innovation Limited (HIL)

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

Norfolk Safety Community Interest Company (CIC)

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

Repton Property Developments Limited

Repton Property Developments Ltd, incorporated on 27 July 2017, is wholly owned by the Council. The company has been set up to develop the Council’s surplus properties and other suitable land.

St Edmund's Park Estate Management Limited

St Edmund's Park Estate Management Limited is a company limited by guarantee which has been set up as a management company for a site being developed by Repton Property Developments in Acle, Norfolk.

NCC Nurseries Limited

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

NCC HH Limited

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

LCIF2 Limited

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

Great Yarmouth Development Company Limited (GYDC)

GYDC is jointly owned with Great Yarmouth Borough Council and completed a housing project in 2014-15. The company was dissolved on 24 August 2021.

NPLaw Limited (formerly Public Law East Limited)

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

Relationships with Other Entities

Legislator companies

A jointly owned local authority company, Legislator 1657 (a wholly owned subsidiary of Legislator 1656), holds some land associated with the airport which was excluded from the sale to Omniport in 2004. The County Council holds 59.5% of Legislator 1656 with the City Council holding the remaining 40.5%. Further details are included in the note on Financial Instruments on page 57.

The accounts for 2020-21 are not yet available. Copies of the accounts will be available from Companies House or by request to the County Council.

Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, following the Code.

Group Comprehensive Income and Expenditure Statement

2019-20 Gross Expenditure £000s	2019-20 Gross Income £000s	2019-20 Net Expenditure £000s		2020-21 Gross Expenditure £000s	2020-21 Gross Income £000s	2020-21 Net Expenditure £000s
480,542	160,239	320,303	Adult Social Services	524,568	197,475	327,093
628,722	363,585	265,137	Children's Services	632,425	370,880	261,545
358,933	185,432	173,501	Community and Environmental Services	376,511	201,684	174,827
16,817	5,486	11,331	Strategy and Governance Services	15,486	3,479	12,007
67,746	25,934	41,812	Finance and Commercial Services	64,951	15,944	49,007
23,428	5,217	18,211	Finance General	20,906	4,404	16,502
117,564	120,707	(3,143)	Other Services	130,529	131,012	(483)
(21,148)	0	(21,148)	Non-Distributed Costs	(721)	0	(721)
0	1,309	(1,309)	Other Operating Income	0	8,173	(8,173)
1,672,604	**867,909**	**804,695**	**Cost of Services**	**1,764,655**	**933,051**	**831,604**
		35,355	Other Operating Expenditure			17,187
		65,603	Financing and Investment Income and Expenditure (Note 1)			62,063
		(817,230)	Taxation and Non-Specific Grant Income			(871,334)
		88,423	**(Surplus) / Deficit on Provision of Services**			**39,520**
		40	Share of (surplus) or deficit of associates			(176)
		613	Tax Expenses (Note 2)			1,094
		89,076	**Group (Surplus) / Deficit**			**40,438**
		(25,024)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			14,581
		(383,888)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			398,727
		(408,912)	**Other Comprehensive Income and Expenditure**			**413,308**
		(319,836)	**Total Comprehensive Income and Expenditure**			**453,746**
		2,013	Comprehensive Income and Expenditure attributable to Non-Controlling Interests in Subsidiaries			(1,206)

Group Movement in Reserves Statement

	Council's Usable Reserves	Subsidiary Usable Reserves (Note 10)	Total Group Usable Reserves	Council's Unusable Reserves	Subsidiary Unusable Reserves (Note 10)	Total Group Unusable Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2019	**178,820**	**(5,783)**	**173,037**	**(496,413)**	**16,667**	**(479,746)**	**(306,709)**
Movement in Reserves during 2019-20							
Total Comprehensive Expenditure and Income	(16,635)	(72,122)	**(88,757)**	406,580	0	**406,580**	**317,823**
Adjustments between Group Accounts and Council Accounts**	(80,934)	80,934	**0**	0	0	**0**	**0**
Net increase or decrease before transfers	(97,569)	8,812	**(88,757)**	406,580	0	**406,580**	**317,823**
Adjustments between accounting basis & funding basis under regulations	112,109	0	**112,109**	(112,109)	0	**(112,109)**	**0**
Increase / (Decrease) in Year	14,540	8,812	**23,352**	294,471	0	**294,471**	**317,823**
Balance at 31 March 2020	**193,360**	**3,029**	**196,389**	**(201,942)**	**16,667**	**(185,275)**	**11,114**
Movement in Reserves during 2020-21							
Reclassification of DSG reserve to Unusable	19,703	0	**19,703**	(19,703)	0	**(19,703)**	**0**
Total Comprehensive Expenditure and Income	59,083	(105,117)	**(46,034)**	(406,506)		**(406,506)**	**(452,540)**
Adjustments between Group Accounts and Council Accounts**	(101,780)	101,780	**0**	0	0	**0**	**0**
Net increase or decrease before transfers	(22,994)	(3,337)	**(26,331)**	(426,209	0	**(426,209)**	**(452,540)**
Adjustments between accounting basis & funding basis under regulations	84,791	0	**84,791**	(84,791)	0	**(84,791)**	**0**
Increase / (Decrease) in Year	**61,797**	**(3,337)**	**58,460**	**(511,000)**	**0**	**(511,000)**	**(452,540)**
Balance at 31 March 2021	**255,157**	**(308)**	**254,849**	**(712,942)**	**16,667**	**(696,275)**	**(441,426)**
Minority Interest share of subsidiary reserves					(1,669)	**(1,669)**	**(1,669)**
Balance at 31 March 2021	**255,157**	**(308)**	**254,849**	**(712,942)**	**14,998**	**(697,944)**	**(443,095)**

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

Group Balance Sheet

31 March 2020			31 March 2021
£000s		**Group Note**	**£000s**
1,768,188	Property, Plant & Equipment	3	1,793,241
13,294	Heritage Assets		13,294
22,100	Investment Property		25,959
6,625	Intangible Assets	4	5,787
6,471	Long Term Investments		6,725
131	Investments in Associates and Joint Ventures		307
63,923	Long Term Debtors	7	58,540
7,541	Deferred Tax Asset		10,435
1,888,273	**Long Term Assets**		**1,914,288**
85,103	Short Term Investments		80,075
3,148	Inventories	5	2,595
207,165	Short Term Debtors	7	230,052
80,800	Cash and Cash Equivalents	8	154,410
4,300	Assets Held for Sale		6,406
380,516	**Current Assets**		**473,538**
(21,936)	Short Term Borrowing		(19,435)
(8,230)	Other Short Term Liabilities		(8,726)
(211,371)	Short Term Creditors	9	(309,887)
(8,677)	Provisions		(3,286)
(657)	Current tax liability		(1,025)
(250,871)	**Current Liabilities**		**(342,359)**
(15,905)	Long Term Creditors	9	(14,960)
(22,664)	Provisions		(22,737)
(713,187)	Long Term Borrowing		(752,967)
(1,227,233)	Other Long Term Liabilities		(1,676,740)
(28,278)	Capital Grants Receipts in Advance		(21,158)
(2,007,267)	**Long Term Liabilities**		**(2,488,562)**
10,651	**Net Assets**		**(443,095)**
196,389	Usable Reserves	10	254,849
(185,738)	Unusable Reserves	10	(697,944)
10,651	**Total Reserves**		**(443,095)**

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Group Cash Flow Statement

31 March 2020		31 March 2021
£000s		**£000s**
88,423	Net (surplus) or deficit on the provision of services	39,520
(219,471)	Adjust net (surplus) or deficit on the provision of services for non-cash movements	(258,943)
122,465	Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	(141,660)
(8,583)	**Net cash flows from Operating Activities (note 13)**	**(77,763)**
85,309	Investing Activities (note 14)	29,640
(79,701)	Financing Activities (note 15)	(25,487)
(2,975)	**Net (increase) or decrease in cash and cash equivalents**	**(73,610)**
77,825	Cash and cash equivalents at the start of the year	80,800
80,800	Cash and cash equivalents at the end of the year (note 8)	154,410

Notes to the Group Accounts

Supporting the Comprehensive Income and Expenditure Statement

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

The income and expenses of the Council's subsidiary companies are consolidated in the Statement on a line by line basis.

The consolidation adjustment in the total for Financing and Investment Income and Expenditure is due to:

2019-20		2020-21
£000s		**£000s**
1,832	Interest payable and similar charges	1,746
991	Net interest cost and on the net defined benefit liability	910
(128)	Interest receivable and similar income	(96)
2,695	**Total for Norse Group Ltd and Independence Matters**	**2,560**

2. Tax Expenses of Group Entities

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

2019-20		2020-21
£000s		**£000s**
	Current Tax:	
1,671	Tax in respect of the current year	2,312
385	Adjustments in respect of prior years	70
	Deferred Tax:	
387	Retirement benefit obligations	(95)
(554)	Origination and reversal of timing differences	(939)
(1,274)	Adjustments in respect of prior years	(254)
(2)	Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	0
613	**Total Taxation Expenses**	**1,094**

Supporting the Balance Sheet

3. Property, Plant and Equipment

2020-21	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Assets under construction £000s	Surplus assets £000s	**Total Property, Plant and Equipment £000s**
Cost or Valuation						
At 1 April 2020	770,506	154,760	1,329,160	56,088	25,678	**2,336,192**
Additions	18,487	13,526	67,104	86,421	0	**185,538**
Revaluation increases/(decreases):						
- to Revaluation reserve	(45,489)	0	0	0	7,245	**(38,244)**
- to surplus or deficit on provision of services	(50,079)	0	0	0	(1,232)	**(51,311)**
Derecognition - disposals	(19,548)	(16,879)	0	0	(155)	**(36,582)**
Assets reclassified (to)/from Held for Sale	0	0	0	0	(5,279)	**(5,279)**
Reclassifications and transfers	23,233	989	1,573	(39,928)	5,408	**(8,725)**
At 31 March 2021	**697,110**	**152,396**	**1,397,837**	**102,581**	**31,665**	**2,381,589**
Accumulated Depreciation and Impairment						
At 1 April 2020	133,326	72,835	349,146	0	12,697	**568,004**
Depreciation charge	16,925	17,511	35,225	0	62	**69,723**
Depreciation written out to Revaluation reserve	(22,037)	0	0	0	(68)	**(22,105)**
Depreciation written out on revaluation to surplus or deficit on provision of services	(14,925)	0	0	0	(132)	**(15,057)**
Impairment losses/(reversals) recognised in:						
- the Revaluation reserve	(1,305)	0	0	0	0	**(1,305)**
- the surplus or deficit on provision of services	7,850	0	0	0	(56)	**7,794**
Derecognition - disposals	(2,041)	(14,562)	(2)	0	(7)	**(16,612)**
Reclassifications and transfers	(1,118)	(1,122)	0	0	146	**(2,094)**
At 31 March 2021	**116,675**	**74,662**	**384,369**	**0**	**12,642**	**588,348**
Net Book Value:						
At 31 March 2021	**580,435**	**77,734**	**1,013,468**	**102,581**	**19,023**	**1,793,241**
At 31 March 2020	637,180	81,925	980,014	56,088	12,981	**1,768,188**

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

Capital Commitments

The Norse Group Ltd has capital expenditure commitments of £0.729m as at 31 March 2021.

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

4. Intangible Assets

The movement on the Group balances during the year:

2019-20				2020-21		
Other Intangible Assets £000s	**Goodwill £000s**	**Total £000s**		**Other Intangible Assets £000s**	**Goodwill £000s**	**Total £000s**
			Balance at the start of the year:			
6,372	4,397	10,769	Gross carrying amounts	6,534	4,397	10,931
(3,357)	0	(3,357)	Accumulated amortisation	(4,306)	0	(4,306)
3,015	**4,397**	**7,412**	**Net carrying amount at 1 April**	**2,228**	**4,397**	**6,625**
186	0	186	Additions (purchases)	44	0	44
(19)	0	(19)	Disposals	(4)	0	(4)
0	0	0	Impairment losses	0	0	0
(954)	0	(954)	Amortisation for the period	(870)	0	(870)
0	0	0	Other Changes	(8)	0	(8)
2,228	**4,397**	**6,625**	**Net carrying amount at 31 March**	**1,390**	**4,397**	**5,787**
			Comprising:			
6,534	4,397	10,931	Gross carrying amounts	6,519	4,397	10,916
(4,306)	0	(4,306)	Accumulated amortisation	(5,129)	0	(5,129)
2,228	**4,397**	**6,625**	**Total**	**1,390**	**4,397**	**5,787**

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

5. Inventories

2019-20		2020-21
£000s		**£000s**
3,658	**Balance outstanding at start of year**	**3,146**
31,731	Purchases	29,162
(31,949)	Recognised as an expense in year	(29,712)
(294)	Amounts written off	(1)
3,146	**Balance outstanding at year end**	**2,595**

6. Financial Instruments

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

31 March 2020 Long Term £000s	31 March 2020 Short Term £000s		31 March 2021 Long Term £000s	31 March 2021 Short Term £000s
		Investments:		
3,490	85,103	Amortised Cost	3,490	80,075
2,981	0	Fair Value through Other Comprehensive Income	3,235	0
6,471	**85,103**	**Total Financial Assets**	**6,725**	**80,075**
0	0	Non-financial assets	0	0
6,471	**85,103**	**Total Investments**	**6,725**	**80,075**
		Debtors:		
52,967	143,435	Amortised Cost	46,667	157,043
52,967	**143,435**	**Total Financial Assets**	**46,667**	**157,043**
10,956	63,730	Non-financial assets	11,873	73,009
63,923	**207,165**	**Total Debtors**	**58,540**	**230,052**
		Cash and Cash equivalents:		
0	80,800	Amortised Cost	0	154,410
0	**80,800**	**Total Financial Assets**	**0**	**154,410**
0	0	Non-financial assets	0	0
0	**80,800**	**Total Cash and cash equivalents**	**0**	**154,410**
		Borrowings:		
713,187	21,936	Amortised Cost	752,967	19,435
713,187	**21,936**	**Total Financial Liabilities**	**752,967**	**19,435**
0	0	Non-financial Liabilities	0	0
713,187	**21,936**	**Total Borrowings**	**752,967**	**19,435**
		Other short/long term liabilities:		
67,888	8,230	Amortised Cost	62,356	8,726
67,888	**8,230**	**Total Financial Liabilities**	**62,356**	**8,726**
1,159,345	0	Non-financial Liabilities	(1,614,384	0
1,227,233	**8,230**	**Total Other Short/Long Term Liabilities**	**1,676,740**	**8,726**
		Creditors:		
708	138,160	Amortised Cost	4,094	201,086
708	**138,160**	**Total Financial Liabilities**	**4,094**	**201,086**
15,197	73,211	Non-financial Liabilities	10,866	108,801
15,905	**211,371**	**Total Creditors**	**14,960**	**309,887**

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

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

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

(iii) The Council has deferred payment agreements made prior to 1 April 2015 where residential care clients exercised their choice to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value includes an interest element based on the average rate of interest payable on the Council's debt for the year (3.99%). From 1 April 2015 the Council created a Deferred Payments Scheme as required by the Care Act 2014. This scheme includes an interest charge at market rate, therefore any new agreements are not soft loans.

7. Debtors

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

31 March	2020		31 March	2021
Long Term	**Short Term**		**Long Term**	**Short Term**
£000s	**£000s**		**£000s**	**£000s**
3,289	172,788	Trade Debtors	2,952	187,139
0	3,708	Subsidiaries	0	3,708
60,634	11,521	Other receivables	55,588	18,988
0	19,148	Prepayments	0	20,217
63,923	**207,165**	**Group Total**	**58,540**	**230,052**

8. Cash and Cash Equivalents

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

2019-20		2020-21
£000s		**£000s**
(16,599)	Single Entity Cash and Bank balances	(4,361)
8,766	Subsidiary cash and bank balances	27,922
88,633	Short term deposits with the Money Market	130,849
80,800	**Total Group Cash and Cash Equivalents**	**154,410**

9. Creditors

The table shows details of creditors included in current liabilities on the balance sheet. The long term creditor total in the balance sheet includes £4.095m deferred grant income towards three capital projects in the Norse accounts.

2019-20		2020-21
£000s		**£000s**
131,402	Trade creditors	203,093
64,942	Other payables	84,017
15,027	Receipts in advance	22,777
211,371	**Total Group Short Term Creditors**	**309,887**

10. Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 112. The reserves of the subsidiaries include:

	Usable Reserves	Unusable Reserves			
	Retained Earnings	**Capital Contribution Reserve**	**Revaluation Reserve**	**Total Unusable Reserves**	**Minority Interest share of subsidiary reserves**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April	**3,099**	**16,200**	**467**	**16,667**	**(463)**
Profit/(Loss) for the year	2,644	0	0	0	(456)
Actuarial (gain)/loss in respect of defined benefit pension schemes	(7,470)	0	0	0	(926)
Deferred tax in respect of defined benefit pension schemes	1,419	0	0	0	176
Balance at 31 March	**(308)**	**16,200**	**467**	**16,667**	**(1,669)**

11. Leasing

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

i) Finance Leases

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

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

2019-20		2020-21
£000s		**£000s**
17,085	Land and buildings	16,574
22,099	Vehicles, plant and equipment	18,990
2,911	Heritage Assets	2,911
42,095	**Group Total**	**38,475**

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

2019-20		2020-21
£000s		**£000s**
	Finance lease liabilities (net present value of minimum lease payments):	
7,345	Current	7,478
22,134	Non-current	18,015
(2,533)	Finance costs payable in future years	(2,033)
26,946	**Minimum lease payments**	**23,460**

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

31 March 2020			31 March 2021	
Minimum Lease Payments	**Finance Lease Liabilities**		**Minimum Lease Payments**	**Finance Lease Liabilities**
£000s	**£000s**		**£000s**	**£000s**
6,680	7,345	Not later than one year	6,856	7,478
15,673	17,094	Later than one year and not later than five years	13,816	14,925
4,593	5,040	Later than five years	2,788	3,090
26,946	**29,479**	**Group Total**	**23,460**	**25,493**

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

ii) Operating Leases

Norse Group Ltd

The group uses leased vehicles, plant and equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2020-21 was £0.379m (£0.781m in 2019-20). The company also leases several properties on short term leases which have been accounted for as operating leases. The rentals payable in 2020-21 were £0.001m (£0.001m in 2019-20).

Details of the Council's leases are shown in Note 30 on page 69.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £3.215m (£3.284m in 2019-20).

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

2019-20		2020-21
£000s		**£000s**
1,678	Not later than one year	1,612
4,894	Later than one year and not later than five years	4,992
10,242	Later than five years	9,680
16,814	**Total**	**16,284**

12. Defined Benefit Pension Schemes

Norse Group Ltd is a participating employer in several multi-employer Local Government Pension Schemes, the main one being the Norfolk Pension Fund. The transactions for Norse Group Ltd relating to their defined benefit pension schemes have been added to those of the Council and reported in the same manner as in the single entity accounts except that the company's liabilities are reflected in their usable reserves (retained earnings) via the Group Movement in Reserves Statement.

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

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

2019-20		2020-21
£000s		**£000s**
	Group Comprehensive Income and Expenditure Statement	
	Cost of Services:	
111,828	Current service cost	96,930
(2,401)	Past service costs/(gain)*	282
(8,893)	(Gain)/loss from settlements	(25)
	Financing and Investment Income and Expenditure:	
27,034	Net interest expense	19,413
127,568	**Total post employment benefit charged to the Surplus of Deficit on the Provision of Services**	**116,600**
	Other post employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined pension liability including:	
121,578	Return on plan assets (excluding the amount included in the net interest expense)	(423,627)
(79,006)	Actuarial gains and losses arising on changes in demographic assumptions	695,454
(247,672)	Actuarial gains and losses arising on changes in financial assumptions	75,946
(137,500)	Other (if applicable)	(28,652)
(215,032)	**Total post employment benefit charged to the Group Comprehensive Income and Expenditure Statement**	**435,721**
	Movement in Reserves Statement:	
(127,568)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits following the Code	(116,600)
	Actual amount charged against Usable reserves for pensions for the year:	
62,802	Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	65,192

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:

2019-20		2020-21
£000s		**£000s**
(2,810,030)	Present value of the defined benefit obligation	(3,648,117)
1,981,485	Fair value of plan assets	2,449,933
(828,545)	**Net liability arising from defined benefit obligation**	**(1,198,184)**

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

2019-20		2020-21
£000s		**£000s**
3,196,488	**Balance at 1 April**	**2,810,030**
111,828	Current service cost	96,930
76,523	Interest cost	64,931
15,362	Contributions by scheme participants	16,285
	Remeasurement gains and losses:	
(79,006)	Actuarial gains and losses arising on changes in demographic assumptions	695,454
(247,672)	Actuarial gains and losses arising on changes in financial assumptions	75,946
(137,500)	Other (if applicable)	(28,652)
(2,401)	Past service costs/(gain)	282
(8,913)	Losses /(gains) on curtailments	(3,357)
0	Business Combinations and Disposals	2,995
(84,909)	Benefits paid	(82,727)
(29,770)	Change in policy in respect of Great Yarmouth Borough Services	0
2,810,030	**Balance at 31 March**	**3,648,117**

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

2019-20		2020-21
£000s		**£000s**
2,090,105	**Opening fair value of scheme assets**	**1,981,485**
49,489	Interest income	45,518
	Remeasurement (gain)/loss:	
(121,578)	The return on plan assets, excluding the amount included in the net interest expense	423,627
62,802	Employer contributions	66,082
15,362	Contributions by scheme participants	16,285
(84,909)	Benefits paid	(82,727)
(5,667)	Other (gain/loss from settlements)	(2,434)
0	Business Combinations and Disposals	2,097
(24,119)	Change in policy in respect of Great Yarmouth Borough Services	0
1,981,485	**Balance at 31 March**	**2,449,933**

The basis for estimating assets and liabilities, significant assumptions used by the actuary and the estimation of the defined benefit obligations are consistent with the disclosures shown in the Council's single entity accounts as shown in note 33.

Supporting the Cash Flow Statement

13. Cash Flows from Operating Activities

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

2019-20		2020-21
£000s		**£000s**
(3,789)	Interest received	(1,878)
35,298	Interest paid	36,168
(1,280)	Dividends received	(1,521)

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

2019-20		2020-21
£000s		**£000s**
(67,568)	Depreciation	(69,725)
(15,807)	Impairment and downward valuations	(44,048)
(13,921)	(Increase)/decrease in creditors	(87,531)
(5,274)	Increase/(decrease) in debtors	17,505
(71,422)	Movement in Pension Liability	(54,718)
(39,947)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(22,732)
(5,532)	Other non-cash items charged to the net surplus or deficit on the provision of services	2,306
(219,471)		**(258,943)**

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

2019-20		2020-21
£000s		**£000s**
117,427	Capital grants credited to the deficit on the provision of services	139,035
1,862	Proceeds from short term (not considered to be cash equivalents) and long term investments	(5,000)
4,880	Proceeds from the sale of property, plant and equipment	7,620
(1,704)	Other items for which the cash effects are investing or financing activities	5
122,465		**141,660**

14. Cash Flows from Investing Activities

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

2019-20		2020-21
£000s		£000s
150,046	Purchase of property, plant and equipment, investment property and intangible assets	168,822
53,990	Purchase of short term and long term investments	0
4,968	Other payments for investing activities	4,103
(7,016)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,620)
(1,808)	Proceeds from short term and long term investments	(5)
(114,871)	Other receipts from investing activities	(135,660)
85,309	**Net cash flows from investing activities**	**(29,640)**

15. Cash Flows from Financing Activities

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

2019-20		2020-21
£000s		£000s
(90,090)	Cash receipts of short term and long term borrowing	(50,000)
(13,540)	Other receipts from financing activities	0
7,667	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	9,365
14,414	Repayments of short term and long term borrowing	13,294
1,848	Other payments from financing activities	1,854
(79,701)	**Net cash flows from financing activities**	**(25,487)**

Reconciliation of Liabilities Arising from Financing Activities:

2020-21	Balance as at 1 April £000s	Financing Cash Flows £000s	Non-Cash Changes £000s	Balance as at 31 March £000s
Long term borrowings	(713,187)	(48,842)	9,062	(752,967)
Short term borrowings	(21,936)	13,195	(10,694)	(19,435)
Lease liabilities	(26,908)	8,584	(5,124)	(23,448)
On balance sheet PFI liabilities	(49,210)	1,576	0	(47,634)
Total liabilities from financing activities	**(811,241)**	**(25,487)**	**(6,756)**	**(843,484)**

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

Other Notes

16. Accounting Policies

i) General Principles

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Accounts.

ii) Business combinations

Business combinations occurring on or after 1 February 2009 are accounted for using the acquisition method under the revised IFRS 3 Business Combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets obtained and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets obtained, and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

iii) Tax Expense

The tax expense is the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse soon. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is calculated, without discounting, based on the laws enacted or substantially enacted by the reporting date and at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

iv) Goodwill

Goodwill arises from the acquisition of a controlling interest in various companies within the group accounts. It is the excess cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is then measured at cost less accumulated impairment losses. It is reviewed annually for impairment and any impairment is recognised in the Comprehensive Income and Expenditure Statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been kept at the UK GAAP amounts subject to being tested for impairment at that date.

v) Leases

Following the adoption of IFRS16 from 1 April 2019, leases are recognised as right of use assets with a corresponding liability at the date from which the leased asset is available for use by the group. The leases are typically for fixed periods (of months or years) but may have extension options.

Assets and liabilities arising from a lease are initially measured on a present value basis.

The Council has taken the decision to depart from the CIPFA Code and not to adjust the Group Accounts to reverse the impact of IFRS16 adoption. More information on the impact of this decision can be found in Note 42 of the single entity accounts.

Norfolk Firefighters Pension Fund Accounts

This section summarises the accounts of the Firefighters' Pension Fund for the year ending 31 March 2021. The accounts of the Firefighters Pension Fund have been prepared in accordance with the accounting policies as detailed in the Statement of Accounting Policies on page 90, except for transfer values, which have been included in the statement on a cash basis.

Firefighters Pension Fund Account for the year ended 31 March 2020

2019-20		2020-21
£000s		£000s
	Contributions receivable	
	County Council	
(3,646)	- Contributions in relation to pensionable pay	(3,773)
	- Early retirements	
(159)	- Other (ill health charge from NCC)	(215)
(1,607)	Firefighters' contributions	(1,677)
(5,412)		**(5,665)**
(1)	Transfers in from other authorities	(96)
(5,413)		**5,761**
	Benefits payable	
7,632	Pensions	7,983
2,398	Commutations and lump sums	2,162
10,030		**10,145**
4,618	Net amount payable for the year	4,383
(4,618)	Top up grant payable by Government	(4,383)
0		**0**

Firefighters Pension Fund Net Assets Statement

31 March 2020		31 March 2021
£000s		£000s
1,405	Top up (payable to) / receivable from Government	704
(1,405)	Amount owing (to) / from General Fund	(704)
0		**0**

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

Notes to the Norfolk Firefighters Pension Fund Accounts

1. **Summary of Arrangements**

There are four schemes run by the Home Office for Firefighter pensions, 1992, 2006, modified 2006 and 2015. The career averaged (CARE) Firefighter Pension Scheme was introduced in 2015 as a phased replacement of the 1992 'old' and 2006 'new' schemes for active members. It is open to both whole time and retained fire officers with most active members paying into this scheme. The employer contribution rate has been set at 28.8% of fire officers pensionable pay. The rate is 37.3% for the old scheme and 27.4% of fire officers pensionable pay for the new scheme. The old and new schemes continue to run with members transferring to the 2015 CARE scheme on a tapered basis depending on the years of service under the existing schemes. Most members will have transferred to the CARE 2015 scheme or retired by 2023. There are a small number of special members with the Modified 2006 scheme. Most of these payments were one off payments relating to earnings between 2000 to 2006 for retained firefighters. However, there are 4 special active members under this scheme, all retained. The employer contribution rate has been set at 37.3% of fire officers pensionable pay, the same as if they were under the 1992 scheme.

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

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

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

2. **Grant Arrangements**

The Norfolk Firefighters Pension Scheme is an unfunded, defined benefit scheme which means that there are no investment assets built up to meet the pensions liabilities, and cash must be generated to meet actual pensions payments as they eventually fall due. Information on the Council's long term pension obligations can be found in note 33 to the main accounts.

The account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government. The underlying principle is that employer and officer contributions together will meet the full costs of pension liabilities being accrued by serving officers while Central Government supports the costs of pensions paid to retired officers and their dependants. Should there be a surplus in the account this is repaid to Government.

3. **Pension Administration**

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

Norfolk Pension Fund Accounts

Introduction

This section provides details of the accounts of the Local Government Pension Fund for the year ending 31 March 2021.

The Local Government Pension Scheme is statutorily based and is governed by the Local Government Pension Scheme Regulations 1997 and subsequent amendment.

The full Pension Fund Accounts are considered by the Pensions Committee. It is planned for 2020-21 accounts to be considered at its meeting on 5 October 2021 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 2020-21 (the Code of Practice) requires authorities to account for pension funds in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations detailed in the Code of Practice.

The accounting statements in this section comprise:

- Revenue and Fund Account – shows the changes in net assets available for benefits, including income to and expenditure from the fund relating to scheme members and to the investment and administration of the fund;
- Net Assets Statement – discloses the type and value of the assets available at the year end to meet benefits;
- Notes to the accounts – provide additional information including a description of the fund, a summary of the significant applicable accounting policies, and supporting information on the figures included in the accounts.

A list of participating employers is included at the end of this section.

Investment Strategy Statement and Funding Strategy Statement

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

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

Alternatively, a copy can be obtained from the Norfolk Pension Fund:

Norfolk Pension Fund
Floor 4 Lawrence House
5 St Andrews Hill
Norwich
NR2 1AD

Telephone: 01603 222870

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

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

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

Revenue and Fund Account

2019-20			2020-21
£000s		**Note**	**£000s**
	Dealings with members, employers and others directly involved in the Fund		
150,694	Contributions	7	163,495
12,103	Transfers in from other pension funds	8	13,944
162,797			**177,439**
(144,311)	Benefits	9	(148,973)
(6,491)	Payments to and on account of leavers	10	(5,006)
(150,802)			**(153,979)**
11,995	**Net additions/withdrawals from dealings with members**		**23,460**
(24,527)	Management expenses	11	(28,966)
(12,532)	**Net additions/withdrawals from dealings with members including Fund Management Expenses**		**(5,506)**
	Returns on investments		
84,245	Investment income	12	73,699
(473)	Taxes on income	13a)	(302)
(259,312)	Profit and losses on disposal of investments and changes in the market value of investments	14a)	838,086
(175,540)	**Net return on investments**		**911,483**
(188,072)	**Net increase/decrease in the net assets available for benefits during the year**		**905,977**
3,809,192	**Opening net assets of the scheme**		**3,621,120**
3,621,120	**Closing net assets of the scheme**		**4,527,097**

Net Assets Statement

2019-20			2020-21
£000s		**Note**	**£000s**
3,618,234	Investment assets	14	4,504,775
(13,181)	Investment liabilities	14	(5,510)
3,605,053	**Total Net Investments**		**4,499,265**
659	Long term Debtors	21	579
659	**Total Long Term Debtors**		**579**
14,254	Debtors	21	20,292
9,374	Cash in hand	21	13,887
23,628	**Total Current Assets**		**34,179**
(8,220)	Creditors	22	(6,926)
(8,220)	**Total Current Liabilities**		**(6,926)**
15,408	**Net Current Assets**		**27,253**
3,621,120	**Net Assets of the Fund available to fund benefits at the period end**		**4,527,097**

The Fund account and the net assets statement do not take account of liabilities to pay pensions and other benefits after the period end. The ability to meet these future liabilities is considered by the Fund actuary as part of the triennial formal valuation process. Information relating to the valuation of these liabilities is shown in note 20.

Notes to the Pension Fund Accounts

1. Description of the Fund

The Norfolk Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by Norfolk County Council ("the Administering Authority"). The Administering Authority is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Norfolk Pension Fund Annual Report 2020-21 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

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

It is a contributory defined benefit pension scheme administered by Norfolk County Council to provide pensions and other benefits for pensionable employees of Norfolk County Council, the district councils in Norfolk and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national public sector pension schemes.

The Council has delegated its pension functions to the Pensions Committee. Responsibility for the administration and financial management of the Fund has been delegated to the Executive Director of Finance and Commercial Services.

The Pension Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Committee meets quarterly in order to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to ensure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary

i) 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 425 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below: This is an increase of 11 employers since 31 March 2020.

31 March 2020		31 March 2021
414	Number of Employers with Active Members	425
	Full membership including employers with deferred and legacy pension commitments	
	Number of Employees in Scheme	
12,605	Norfolk County Council	12,809
16,712	Other Employers	17,448
29,317	**Total**	**30,257**
	Number of Pensioners	
13,483	Norfolk County Council	13,940
12,860	Other Employers	13,430
26,343	**Total**	**27,370**
	Deferred Pensioners	
19,764	Norfolk County Council	19,707
16,936	Other Employers	17,399
36,700	**Total**	**37,106**
92,360	**Total membership including employers with deferred and legacy pension commitments**	**94,733**

The movement in employer numbers is due to the following employers leaving or joining the Fund during the financial year:

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
1. Action for Children (Dereham) 2. Action for Children (Diss Children's Centre) 3. Action for Children (Ex4Children) 4. Action for Children (Fakenham Gateway Children's Centre) 5. Action for Children (Hethersett) 6. Action for Children (Nar & Terringtons Children's Centre) 7. Action for Children (Wells) 8. Bradwell Parish Council 9. Chartwell (Diocese of Norwich Education and Academies Trust) 10. Easton and Otley College 11. East City Children's Centre 12. Great Yarmouth Community Trust (Children's Centre) 13. Kier Support Services 14. Norfolk Academies Trust 15. North City Children's Centre 16. Sacred Heart Catholic V A Primary	1. Action for Children Early Childhood and Family Services 2. Aspens Services (Caister Academy) 3. Bluebell Primary School 4. Brancaster Parish Council 5. Burnham Market Parish Council 6. Caston Church of England Primary Academy 7. Caterlink (City of Norwich School) 8. Churchills Group (Paston College) 9. Clarion Academy Trust 10. Diocese of Norwich Education Services Company 11. Diocese of Norwich St Benet's Multi-Academy Trust 12. Downham & Stow Bardolph Internal Drainage Board 13. Garboldisham Church Primary School 14. Happisburgh Parish Council

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
	15. Harrison Catering (Dussindale Primary School) 16. Ludham Parish Council 17. Newton Flotman Church of England Primary Academy 18. Oulton Parish Council 19. Parkers Church of England Primary Academy 20. Reedham Parish Council 21. Rollesby Parish Council 22. Serco Group Plc (North Norfolk District Council) 23. Southtown Primary School 24. Tharston and Hapton Parish Council 25. Wacton Parish Council 26. Winterton-on-Sea Parish Council 27. Wymondham College Prep School

A full list of participating employers is shown on page 188.

ii) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2021, employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of actual pensionable pay.

Banding depends on a member's actual annual pay rate. The table below shows the bands for 2020-21 and 2021-22.

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

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

Actual Pensionable Pay 2020-21	Contribution rate per year	Actual Pensionable Pay 2021-22	Contribution rate per year
Up to £14,600	5.5%	Up to £14,600	5.5%
£14,601 to £22,800	5.8%	£14,601 to £22,900	5.8%
£22,801 to £37,100	6.5%	£22,901 to £37,200	6.5%
£37,101 to £46,900	6.8%	£37,201 to £47,100	6.8%
£46,901 to £65,600	8.5%	£47,101 to £65,900	8.5%
£65,601 to £93,000	9.9%	£65,901 to £93,400	9.9%
£93,001 to £109,500	10.5%	£93,401 to £110,000	10.5%
£109,501 to £164,200	11.4%	£110,001 to £165,000	11.4%
£164,201 or more	12.5%	£165,001 or more	12.5%

iii) 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 £1 of pension given up	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index (RPI) to the consumer prices index (CPI). This change took effect from 1 April 2011. The appropriate index for April 2021 is 0.5% (1.7% April 2020).

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 2020-21 financial year and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the code) 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 is disclosed in accordance with the requirements of International Accounting Standard (IAS) 26. Full details of this approach are disclosed at note 20 of these accounts.

The accounts have been prepared on a going concern basis.

In carrying out its assessment that this basis is appropriate, made to 30 November 2022, management of the fund have considered the additional qualitative and quantitative key requirements:

- The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services;
- All employers within the fund are paying contributions as per the rates and adjustment certificate. No employer has requested to defer their payments within the 2020-21 financial year, or within 2021-22 to date;
- The fund does not have any external borrowing; and
- The fund has an allocation of 45% to public equities, 7% to liquid fixed income and holds around 1% of the Fund in cash. These are assets that can be liquidated to pay benefits should the need arise.

On this basis, the fund have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

3. Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

a) Contribution income

Employees' normal and additional contributions are accounted for when deducted from pay. Employer contributions are accounted for on the same basis as they are expressed in the Rates & Adjustments certificate to the relevant formal valuation. Employees' and employers' normal contributions are accounted for on an accruals basis.

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in and out are accounted for on a cash basis when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Income distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Property-related income

Property-related income consists of rental income and income from pooled property investment vehicles. Income from pooled property investment vehicles is recognised as in iii) above.

v) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

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

vi) 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.

vii) 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.

viii) Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fund Manager fees are broadly based on the market value of the assets under management and therefore increase or reduce as the value of these investments change. Fees payable to external investment managers and the custodian are in accordance with the contractual agreements with the Fund.

In addition, the Fund has agreements with the following managers that an element of their fee is performance related:

Manager	Asset Class
Janus Henderson Global Investors	Fixed Income
Pantheon	Infrastructure
J.P. Morgan Asset Management	Infrastructure
Equitix	Infrastructure
Stafford International	Timberland
M&G	Fixed Income

2019-20		2020-21
£000s		£000s
324	Performance-related fees	802

Where an investment managers' fee invoice has not been received by the net asset statement date, an estimate based upon the market value of their mandate as at the end of the year plus any appropriate performance allowance is used for inclusion in the Fund account.

2019-20		2020-21
£000s		£000s
2,907	Value of invoiced fees based on estimates	3,219

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

Net Assets Statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the Fund in the fund account.

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

h) Freehold and leasehold properties

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

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits as arising. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents held with the global custodian (HSBC) are classified as cash deposits within other investment balances. Operational cash balances managed by the Administering Authority's treasury management operations are disclosed as cash in hand within current assets.

l) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 20).

n) Additional voluntary contributions (AVCs)

The Fund has three appointed providers of AVCs: Prudential, Clerical Medical and Utmost Life and Pensions (previously Equitable Life - a legacy arrangement that is not open to new contributors).

AVCs are held by the providers and do not form part of the Fund's assets. These amounts are not included in the main Fund accounts in accordance with Regulation 4 (1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 23).

Members participating in these arrangements receive an annual statement at 31 March each year showing the amount held in their account and the movements in the year. Contributions are deducted from member salaries by their employer and paid directly to the AVC providers. AVCs may be used to fund additional retirement benefits or to purchase additional life cover at a level higher than that provided by the main scheme.

Upon retirement the value of an individual AVC account may be used in some or all of the following ways depending on the circumstances of the retiring member:

i) Buy an annuity from a third party provider.
ii) Buy an annuity within the LGPS.
iii) Take some of or the entire accumulated AVC fund as cash, if within limits set down in the scheme regulations and by HMRC.
iv) Under certain specific circumstances buy extra membership within the LGPS (this is a legacy right associated with some members only)

o) Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2021-22 code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The code requires implementation of the above disclosure from 1 April 2021. These changes are not considered to have a material effect on the Pension Fund accounts of 2020-21.

p) Contingent assets and contingent liabilities

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

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

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

q) COVID-19 Asset Values

As at 31st March 2020 the Fund made additional prudent adjustments to asset values. During the course of financial year 2020-21 global markets recovered and reflect the impact of the COVID-19 global pandemic. Therefore, no adjustment to asset values is required and assets are valued in accordance with the Funds valuation accounting policies.

4. Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Funds managed by HarbourVest are subject to full valuations at 31 March each year. Aberdeen Standard Investments funds are valued at 31 December and rolled forward for cash flows to 31 March.

2019-20		2020-21
£000s		£000s
222,058	Value of unquoted private equity	353,184

Pooled Investment Vehicle – Property/Freehold Property

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

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

2019-20		2020-21
£000s		£000s
364,198	Value of Pooled Investment Vehicle – Property/Freehold Property	410,296

Infrastructure Equity Pooled Fund

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

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

2019-20		2020-21
£000s		£000s
89,447	Value of Infrastructure Equity Pooled Fund	261,144

Timberland Equity Pooled Fund

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

2019-20		2020-21
£000s		£000s
20,821	Value of Timberland Equity Pooled Fund	12,504

Pooled Debt Funds

Pooled investment vehicle is valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax. The credit fund is valued monthly on a Net Asset Value basis. The three debt funds are valued quarterly on a Net Asset Value basis.

2019-20		2020-21
£000s		£000s
111,789	Value of Pooled Debt Funds	139,679

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary. The assumptions underpinning the valuations are agreed with the actuary and are summarised in note 19. In accordance with IAS26 the Fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits (see note 20). Actuarial methodology used in triennial valuations is different from that used in IAS26, therefore they will produce different liability values at a common valuation date.

The liability estimates in notes 19 and 20 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires the Administering Authority to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. During the course of financial year 2020-21 global markets recovered and reflect the impact of the COVID-19 global pandemic. Therefore, no adjustment to assets classified as Level 3 in the fair value hierarchy is required.

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

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Actuarial present value of promised retirement benefits (measured under IAS26)</td><td>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.</td><td>CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:
<table>
<tr><th>Sensitivity to the assumptions for the year ended 31 March 2021</th><th>Approximate % increase to liabilities</th><th>Approximate monetary amount (£m)</th></tr>
<tr><td>0.5% p.a. increase in the Pension Increase Rate</td><td>9%</td><td>£627m</td></tr>
<tr><td>0.5% p.a. increase in the Salary Increase Rate</td><td>1%</td><td>£65m</td></tr>
<tr><td>0.5% p.a. decrease in the Real Discount Rate</td><td>10%</td><td>£706m</td></tr>
</table></td></tr>
<tr><td>Private Equity</td><td>Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</td><td>The total private equity investments in the financial statements are £353.2m. There is a risk that this investment may be under or overstated in the accounts.

Generally, these investments are valued a minimum of a quarter in arrears. The adjusted valuations as at 31 March 2021 totalling £42.9m above the estimated 31 March valuations have been received and the accounts updated accordingly.</td></tr>
<tr><td>Pooled Property/Freehold Property</td><td>Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds,</td><td>The total pooled property/freehold property investments in the financial statements are £410.3m. There is a risk that this investment may be under or overstated in the accounts.</td></tr>
</table>

Item	Uncertainties	Effect if actual results differ from assumptions
	change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax. For freehold property the valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).	
Pooled Infrastructure Equity	Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using income or discounted cash flows. Audited valuation is carried out annually and is based on the Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	The total Pooled Infrastructure Equity investments in the financial statements are £261.1m. There is a risk that this investment may be under or overstated in the accounts. The auditors to the Aviva Investors Infrastructure Income Limited Partnership have issued a qualified audit opinion as they have been unable to gain sufficient appropriate audit evidence to the accuracy and sufficiency of any provision required on a legal claim representing less than 9% of the total NAV of the Fund. The carrying value of the Norfolk Investment in these accounts is £39.2m.
Timberland Equity Pooled Fund	Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments. Assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited valuations are carried out annually and based on the Fair value of the fund.	The total Pooled Timberland Equity investments in the financial statements are £12.5m. There is a risk that this investment may be under or overstated in the accounts.
Pooled Debt Funds	Pooled investment vehicle is valued at closing bid prices if both bid and offer prices are	The total Pooled Debt Fund investments in the financial statements are £139.7m. There is a risk that this investment may be under or overstated in the accounts

Item	Uncertainties	Effect if actual results differ from assumptions
	published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax. The credit fund is valued monthly on a Net Asset Value basis. The three debt funds are valued quarterly on a Net Asset Value basis.	

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges as at 31 March.

Investment Type	Range of Accuracy
Pooled Property/Direct Freehold Property	10.00%
Private Equity	15.00%
Pooled Infrastructure Equity	10.00%
Pooled Timberland Equity	10.00%
Pooled Debt Funds	Between 6.00% and 10.00%

Full details of the impact on asset values are detailed in note 16.

6. Events after the Net Asset Statement Date

There have been no events since 31 March 2021, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. **Contributions receivable**

2019-20		2020-21
£000s		£000s
	By Category	
117,517	Employers – normal	128,979
58	Employers – special	5
0	Employers – augmentation	0
1,888	Employers – strain	1,453
30,678	Members – normal	32,540
553	Members – purchase of additional scheme benefits	518
150,694	**Total**	**163,495**

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.

2019-20		2020-21
£000s		£000s
33,785	Deficit recovery contributions included in employer normal contributions	36,521
33,785	**Total**	**36,521**

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 would place 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.

2019-20		2020-21
£000s		£000s
	By Authority	
58,850	Administering authority	69,854
67,576	Other scheduled bodies	73,606
6,236	Community admission bodies	4,635
2,499	Transferee admission bodies	2,645
15,533	Resolution bodies	12,755
150,694	**Total**	**163,495**

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:

2019-20		2020-21
£000s		**£000s**
70	Strain instalments due after the net asset statement date	2
70	**Total**	**2**

The debtors figure for augmentation/strain due in note 21 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2021.

8. Transfers in from other Pension Funds

2019-20		2020-21
£000s		**£000s**
0	Group Transfers	4,814
12,103	Individual transfers	9,130
12,103	**Total**	**13,944**

The group transfers figure in 2020-21 represent the transfer in of staff from the Cambridgeshire Pension Fund in respect of Norwich City Council. There were no group transfers in 2019-20. 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. Each affected LGPS Fund's actuary 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 determined that there are insufficient assets to cover the remaining liabilities so balancing payments were required to the Fund by the Civil Service (Her Majesty's Courts Service), spread over ten annual instalments. All instalments have now been received.

2019-20		2020-21
£000s		**£000s**
1,404	HMCS total present value	0
1,404	**Total**	**0**

9. Benefits payable

2019-20		2020-21
£000s		**£000s**
	By Category	
121,309	Pensions	125,997
20,620	Commutation and lump sum retirement benefits	19,534
2,382	Lump sum death benefits	3,442
144,311	**Total**	**148,973**

2019-20		2020-21
£000s		£000s
	By Authority	
66,296	Administering authority	68,284
53,670	Other scheduled bodies	54,271
6,647	Community admission bodies	7,400
4,159	Transferee admission bodies	4,475
13,539	Resolution bodies	14,543
144,311	**Total**	**148,973**

10. Payments to and on account of leavers

2019-20		2020-21
£000s		£000s
379	Refunds to members leaving service	323
5,997	Individual Transfers out to other Schemes	4,683
115	Payment made under Regulations 74, 75 and 15(3) and 64 of the Local Government Pension Scheme (Administration) Regulations 2008/2018	0
6,491	**Total**	**5,006**

There were no Group Transfers paid out in 2020-21 or 2019-20.

11. Management Expenses

Pension fund management expenses for 2020-21 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).

2019-20		2020-21
£000s		£000s
1,858	Administrative costs	2,109
21,782	Investment managements expenses	26,204
887	Oversight and governance costs	653
24,527	**Total**	**28,966**

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

a) Investment Expenses

2020-21	**31 March 2021 Total**	**Management Fees**	**Performance Related Fees**	**Transaction Costs**
	£000s	**£000s**	**£000s**	**£000s**
Fixed Interest Securities	**457**	457	0	0
Equities	**1,773**	1,603	0	170
Pooled investments	**8,266**	7,120	801	345
Private equity	**7,731**	7,731	0	0
Infrastructure (incl. Timberland)	**3,055**	3,054	1	0
Derivatives Forward Currency	**1,571**	1,571	0	0
Total	**22,853**	**21,536**	**802**	**515**
Fees and Other Expenses	3,277			
Custody Fees	74			
Total	**26,204**			

2019-20	**31 March 2020 Total**	**Management Fees**	**Performance Related Fees**	**Transaction Costs**
	£000s	**£000s**	**£000s**	**£000s**
Fixed Interest Securities	**471**	471	0	0
Equities	**2,681**	2,300	0	561
Pooled investments	**6,917**	6,615	193	109
Private equity	**5,543**	5,543	0	0
Infrastructure (incl. Timberland)	**2,028**	1,897	131	0
Derivatives Forward Currency	**537**	534	0	3
Total	**18,357**	**17,360**	**324**	**673**
Fees and Other Expenses	3,337			
Custody Fees	88			
Total	**21,782**			

12. Investment Income

2019-20		2020-21
£000s		**£000s**
350	Income from fixed interest securities	532
38	Income from index linked securities	35
14,125	Equity dividends	6,995
15,619	Pooled property investments	13,285
45,721	Pooled fund income- Unit trusts and other managed funds	45,683
1,171	Private equity income	1,970
5,467	Pooled funds rebate	3,903
110	Stock lending	64
1,397	Interest on cash deposits	166
53	Rents from Property (Note 12a)	50
194	Other	1,016
84,245	**Total Investment Income**	**73,699**

a) Property Income

2019-20		2020-21
£000s		**£000s**
53	Rental income	50
(13)	Direct operating expenses	(78)
40	**Net income**	**(28)**

13. Other Fund Disclosures

a) Taxes on Income

2019-20		2020-21
£000s		**£000s**
417	Withholding tax – equities	247
56	Withholding tax – pooled investments	55
473	**Total**	**302**

b) External Audit costs

2019-20		2020-21
£000s		**£000s**
18	Payable in respect of external Audit	132
18	**Total**	**132**

14. Investments

Market Value 31 March 2020		Market Value 31 March 2021
£000s		**£000s**
	Investment assets	
65,899	Fixed Interest Securities	65,088
534,057	Equities	0
2,335,030	Pooled Investments	3,590,011
363,109	Pooled property investments	409,086
222,058	Private equity Partnerships	353,184
1,089	Direct Freehold Property	1,210
5,724	Derivatives - forward currency	4,063
89,977	Cash deposits	82,133
1,291	Amounts receivable for sales	0
3,618,234	**Total investment assets**	**4,504,775**
	Investment liabilities	
0	Derivatives - futures	0
(9,904)	Derivatives - forward currency	(4,510)
(3,277)	Amounts payable for purchases	(1,000)
(13,181)	**Total investment liabilities**	**(5,510)**
3,605,053	**Net investment assets**	**4,499,265**

a) Reconciliation of Movements in Investments and Derivatives

2020-21	Market value 31 March 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2021
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Fixed Interest Securities	**65,899**	567	0	(1,378)	**65,088**
Equities	**534,057**	147,953	(863,297)	181,287	**0**
Pooled property investments	**363,109**	24,344	(11,360)	32,993	**409,086**
Pooled investments	**2,335,030**	1,095,809	(334,163)	493,335	**3,590,011**
Private equity	**222,058**	57,013	(57,003)	131,116	**353,184**
Direct Freehold Property	**1,089**	0	0	121	**1,210**
	3,521,242	**1,325,686**	**(1,265,823)**	**837,474**	**4,418,579**
Derivative contracts:					
- Futures	**0**	0	0	0	**0**
- Forward currency contracts	**(4,180)**	41,021	(41,342)	4,054	**(447)**
	(4,180)	**41,021**	**(41,342)**	**4,054**	**(447)**
Other investment balances:					
- Cash deposits	**89,977**			0	**82,133**
- Amount receivable for sales of investments	**1,291**			0	**0**
- Amount payable for purchases of investments	**(3,277)**			(3,442)	**(1,000)**
Net investment assets	**3,605,053**			**838,086**	**4,499,265**

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

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.

2019-20		2020-21
£000s		**£000s**
673	Transaction costs incurred during the year	515

b) Investments Analysed by Fund Manager

Market Value 31 March 2020 £000s	Percentage of Total Net Investments %		Market Value 31 March 2021 £000s	Percentage of Total Net Investments %
		Investments Managed by the ACCESS Pool (Link Fund Solutions)		
563,325	15.63	LF ACCESS Global Equity (ex UK) Fund	720,759	16.02
0	0.00	LF ACCESS Globe Equity Capital Fund	453,664	10.08
206,975	5.74	LF ACCESS UK Equity Core Fund	290,369	6.45
0	0.00	LF ACCESS Globe Equity Mondrian Fund	277,395	6.17
770,300	**21.37**		**1,742,187**	**38.72**
		Investments Managed outside of the ACCESS Pool		
531,377	14.74	Janus Henderson Global Investors	569,410	12.67
397,381	11.02	LaSalle Investment Management	432,270	9.61
388,682	10.78	M&G (inc. Infracapital)	393,308	8.74
193,493	5.37	HarbourVest Partners	322,722	7.17
207,776	5.76	UBS	270,521	6.01
159,205	4.42	Insight Investment *	175,054	3.89
472,330	13.10	Capital International Ltd	161,475	3.59
0	0.00	J.P. Morgan Asset Management	120,287	2.67
75,476	2.09	Equitix	81,077	1.80
99,185	2.75	Goldman Sachs Asset Management	73,539	1.63
34,097	0.95	Global Custodian **	55,817	1.24
0	0.00	Aviva Investors	39,157	0.87
29,241	0.81	Aberdeen Standard Investments	32,371	0.72
13,969	0.39	Pantheon	21,097	0.47
20,821	0.58	Stafford Capital Partners	12,505	0.28
211,720	5.87	Mondrian	0	0.00
0	0.00	Berenberg Bank *	(3,532)	(0.08)
2,834,753	**78.63**		**2,757,078**	**61.28**
3,605,053	**100.00**		**4,499,265**	**100.00**

All the above companies are registered in the United Kingdom.

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

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

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

Market Value 31 March 2020 £000s	Percentage of Total Fund %	Security	Market Value 31 March 2021 £000s	Percentage of Total Fund %
563,325	15.6	LF ACCESS Global Equity ex UK A INC	720,759	15.9
0	0.00	LF ACCESS Globe Equity Capital Fund	453,664	10.0
206,975	5.7	LF ACCESS UK Equity Core Fund	290,369	6.4
0	0.00	LF ACCESS Globe Equity Mondrian Fund	277,395	6.1
216,985	6.0	Janus Henderson Managed Multi Asset Credit Fund	276,891	6.1
207,776	5.7	UBS Life UK Equity Tracker	270,520	6.0
276,890	7.6	M&G Alpha Opportunities Fund	250,104	5.5

During the year there were no individual investment (a single security) exceeding 5% of the total value of the net assets. Seven pooled holdings (five in 2019-20) represent over 5% of the total value of the net assets of the scheme. Each holding is a pooled investment vehicle and comprises the following:

- As at 31 March 2021 the LF ACCESS Global Equity ex UK A INC fund held 204 stocks (2020 210).
- As at 31 March 2021 the M&G Alpha Opportunities Fund has 478 (2020 447) positions, across 361 issuers (2020 385).
- At 31 March 2021 the Janus Henderson Multi Asset Credit Fund held 349 (2020 268) individual issues from 271 issuers (2020 277).
- As at 31 March 2021 the Link Fund Sol Ltd Access UK Equity Core A Inc fund held 54 stocks (2020 57).
- At 31 March 2021 the UBS Life UK Equity Tracker Fund held 629 securities (2020 641).
- As at 31 March 2021 the Link Fund Sol Ltd Access Globe Eq Mondrian A Inc fund held 45.
- As at 31 March 2021 the Link Fund Sol Ltd Access Globe Equity Cap A Inc fund held 319.

The UBS investment is a unit linked contract of long term insurance (“the policy”) issued by UBS Asset Management Life Ltd (“UBS Life”). Units in the range of pooled investment funds operated by UBS Life ("Life Funds") are allocated to the Policyholders. The value of the units in a Life Fund are directly linked to the assets legally and beneficially owned by UBS Life and held in that Life Fund. Such units may be surrendered, and their value realised in accordance with the conditions applying to the Policy (including at UBS Life’s discretion, by a transfer of assets in specie). The underlying assets are predominantly quoted investments which are listed or admitted to trading on a stock exchange (or similar public market) and may also include uninvested cash and derivatives. The policy falls within Class III of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and is not a “with profits” contract.

c) Stock Lending

In November 2020 the Fund transitioned its remaining directly held equity mandates to the ACCESS pool. As a result the stock lending programme with the funds Custodian Bank has ceased. All stocks on loan were recalled and included in the transition.

Stock lending income for the period 1st April 2020 to the point of transition is captured in investment income (Note 12).

Therefore, as at 31 March 2021, there are no securities on loan. 11 lines of stock were on loan in 2020.

31 March 2020		31 March 2021
£000s		**£000s**
57,759	Value of quoted equities on loan	0
0	Value of un-quoted equities on loan	0
62,798	Fair value of collateral held by Custodian	0
109%	Collateral relative to stock on loan (percentage coverage)	0%

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

Value on loan at 31 March 2020		Value on loan at 31 March 2021
£000s		**£000s**
872	UK Equities	0
56,706	Overseas Equities	0

d) Property Holdings

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

31 March 2020		31 March 2021
£000s		**£000s**
470	**Opening Balance**	**1,089**
740	Additions	0
0	Disposals	0
0	Net increase in market value	0
(121)	Other changes in fair value	121
1,089	**Closing balance**	**1,210**

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 relating to properties that are occupied. The Pension Fund has undertaken a programme of works during the financial year on one of its unoccupied properties.

15. Analysis of Derivatives

Objectives and policies for holding derivatives

The holdings in derivatives are to hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreements between the fund and the investment managers holding mandates that permit the use of these instruments.

i) Futures

Futures contracts are exchange traded contracts to buy or sell a standard quantity of a specific asset at a pre-determined future date. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

The Fund has also authorised the use of futures by Janus Henderson to assist in meeting the investment objectives that they have been set. Henderson did not hold any futures contracts in its portfolio at 31 March 2021 (2020 nil).

ii) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment opportunities, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a currency hedging programme in place. The hedging programme is managed between two currency managers, Berenberg Bank and Insight Investment.

The Fund also requires LaSalle (previously Aviva Investors) to hedge 100% of the currency exposure arising from its discretionary (off-benchmark) investments in global (ex-UK) property funds. This hedging activity covers US Dollar, Euro and Australian Dollar exposures.

In addition to these mandate positions short term contracts may also arise in portfolios investing in non-Sterling denominated assets as a consequence of the need to settle transactions in foreign currencies. These tend to be shorter term contracts than those undertaken for other purposes, but settlement may span the balance sheet date.

a) 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	EUR	16,000	£	(13,814)	0	(181)
Up to one month	£	25,249	AUD	(44,855)	486	0
Up to one month	£	57,316	EUR	(65,844)	1,208	0
Up to one month	£	273,458	$	(381,309)	0	(2,898)
Up to one month	$	380,800	£	(276,563)	0	(575)
Between one and three months	EUR	4,100	£	(3,517)	0	(21)
Between one and three months	£	92,530	EUR	(106,710)	1,537	0
Between one and three months	£	26,631	JPY	(3,946,000)	740	0
Between one and three months	£	71,988	$	(100,320)	0	(711)
Between one and three months	JPY	1,801,100	£	(11,942)	0	(124)
Between one and three months	$	45,550	£	(32,917)	92	0
Open forward currency contracts at 31 March 2021					**4,063**	**(4,510)**
Net forward currency contracts at 31 March 2021						**(447)**
Open forward currency contracts at 31 March 2020					**5,724**	**(9,904)**
Net forward currency contracts at 31 March 2020						**(4,180)**

At the 31 March 2021, the fund held £0m (2020 £0.1m) cash collateral posted against gains on its Forward foreign currency contracts with Berenberg Bank. The collateral is held in a separate account and is not included in the Revenue Account or Net Asset Statement. Following financial market regulation changes during 2017-18 the Fund uses its segregated fixed Interest securities holding (£65.1m) as a collateral pool against the notional gains and losses on the Insight Investment currency contracts.

Contracts with a common underlying currency profile and similar maturity profile have been amalgamated for the purpose of disclosure. A key to the currencies referred to in the table is provided below:

Symbol / Acronym	Currency
£	British pounds (Sterling)
$	United States dollar
AUD	Australian dollar
EUR	Euro
JPY	Japanese yen

16. Fair Value – Basis of Valuation

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

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Equities	Level 1	The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.	Not required	Not required
UK Gilts and Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields.	Not required	Not required
FX	Level 1	Market forward exchange rates at the year end.	Exchange rate risk	Not required
Equity Futures	Level 1	Published exchange prices at year end.	Not required	Not required
Pooled Investment Vehicle – Equity and Debt	Level 2	Valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used.	Not required

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the Fund, net of applicable withholding tax.	The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.	
Pooled Investment Vehicle - Property	Level 3	Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the Fund, net of applicable withholding tax.	Investments in unquoted property pooled funds are valued at the net asset value or a single price advised by the fund manager. Pooled property funds and Limited Partnerships in property have derived underlying assets that have been valued by independent external valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).	Valuations could be affected by Material events.
Direct Freehold Property	Level 3	The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition)	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Private Equity	Level 3	Investments in private equity funds and unquoted listed partnerships are valued	Observable inputs are subject to judgment by the respective manager, but are applied in accordance with	Valuations could be affected by Material events occurring between the date of

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the appropriate industry guidelines. Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	the appropriate industry guidelines.	the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Infrastructure Equity Pooled Fund	Level 3	Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using income or discounted cash flows. Audited valuations are carried out annually and based on the Limited partnerships valued at Fair value or based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	Unobservable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines.	Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Timberland Equity Pooled Fund	Level 3	Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments.	Observable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines.	Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		Assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited valuations are carried out annually and based on the Fair value of the fund.		own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Pooled Debt Funds - Credit	Level 3	The fund is valued monthly on a Net Asset Value basis.	The Fund primarily invest in Asset Backed Securities (ABS) and ABS securities issued by special purpose which are collateralised primarily by a portfolio that includes commercial and industrial bank loans ("CLO"). The portfolio is valued using a number of unobservable inputs, such as internal credit ratings for internally-valued instruments (valued by the AIFM), which is used when deciding the comparable public bonds for the discount rate calculation, and single broker quotes for CLO instruments.	Valuations could be affected by Material events, such as significant shifts in credit spreads in the ABS and CLO markets.
Pooled Debt Funds – Special Situations	Level 3	The funds are valued quarterly on a Net Asset Value basis.	The funds primarily invest in debt and equity instruments that have or are in the process of being restructured, covering both public and private instruments. The portfolios are valued primarily using unobservable inputs due to the large weighting to private instruments. Unobservable inputs include but are not limited to discount rates, valuation multiples and land valuations.	Valuations could be affected by Material events, such as significant shifts in credit spreads.
Pooled Debt Funds –	Level 3	The funds are valued quarterly on a Net Asset Value basis.	The fund primarily invests in private junior loans that are secured against real estate assets.	Valuations could be affected by Material events, such as significant shifts in credit spreads.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Real Estate Debt			The primary unobservable input within the valuations is the internal credit rating, which is used when deciding the comparable public bonds for the discount rate calculation.	

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Following a review between the Fund and the Fund Manager, the Fund reclassified four Pooled Debt Funds as Level 3 assets from Level 2. For two of the funds the reclassification is due a change in assessment of the nature of pricing inputs by the Fund Manager, moving from observable to unobservable. For the other two vehicles the Fund identified an inconsistency in the classification it has used and that historically advised by the manager.

The reclassification of these latter two assets had effect in 2019-20. As a result the level 2 and 3 comparator disclosure in note 16 have been restated by £54.4m and annotated accordingly to reflect the adjusted amounts.

2020-21	Assessed Valuation Range (+/-)	Value at 31 March 2021	Value on Increase	Value on Decrease
Description of Asset		**£000s**	**£000s**	**£000s**
Pooled Property / Direct Freehold Property	10.00%	410,296	451,326	369,267
Private Equity	15.00%	353,184	406,162	300,207
Pooled Infrastructure Equity	10.00%	261,144	287,258	235,029
Pooled Timberland Equity	10.00%	12,504	13,755	11,254
Pooled Private Debt/Credit Funds	10.00%	117,507	129,258	105,757
Pooled Real Estate Debt Fund	6.00%	22,172	23,502	20,841
Net Investment Assets		**1,176,807**	**1,311,261**	**1,042,355**

The potential movement of +/- 10.00% for Pooled Property / Direct Freehold Property represents a combination of factors, the key one is market prices, which is derived from other factors, such as vacancy levels, rental movements and the discount rate.

Private Equity, Pooled Infrastructure Equity and Pooled Timberland Equity unrealised investments are typically valued in accordance with fair market value principles set out in the valuation policy and applicable valuation guidelines set out in international accounting standards. Actual realised returns on unrealised investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale. Accordingly, the actual valuations on these unrealised investments may differ materially from those indicated and could be up to 10.00% for Infrastructure, Timberland and Private Debt/Credit Fund, 6.00% for Real Estate Debt Funds and 15.00% for Private Equity Investments (or higher or lower).

2019-20	Assessed Valuation Range (+/-)	Value at 31 March 2020	Value on Increase	Value on Decrease
Description of Asset		**£000s**	**£000s**	**£000s**
Pooled Property / Direct Freehold Property	14.20%	364,198	415,914	312,482
Private Equity	28.40%	222,058	285,122	158,993
Pooled Infrastructure Equity	20.10%	89,447	107,426	71,468
Pooled Timberland Equity	20.10%	20,821	25,006	16,636
Pooled Debt Funds (Restated)	8.00%	54,410	58,763	50,057
Net Investment Assets		**750,934**	**892,231**	**609,636**

a) Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Level 1, 2 and 3 assets of the Fund are classified above in note 16 along with a description of the basis of valuation.

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.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable:

Fair Value Hierarchy

Values at 31 March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000s	£000s	£000s	£000s
Investment assets				
Fixed interest securities	65,088	0	0	**65,088**
Pooled investments	0	3,176,684	413,327	**3,590,011**
Pooled property investments	0	0	409,086	**409,086**
Private equity partnerships	0	0	353,184	**353,184**
Derivatives – forward currency	4,063	0	0	**4,063**
Cash deposits	82,133	0	0	**82,133**
Total Investment Assets	**151,284**	**3,176,684**	**1,175,597**	**4,503,565**
Non Financial Assets at Fair Value through Profit and Loss				
Direct Freehold Property	0	0	1,210	**1,210**
Financial Liabilities				
Payable for investment purchases	(5,510)	0	0	**(5,510)**
Net Investment Assets	**145,774**	**3,176,684**	**1,176,807**	**4,499,265**

Values at 31 March 2020	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000s	£000s	£000s	£000s
Investment assets				
Fixed interest securities	65,899	0	0	**65,899**
Equities	534,057	0	0	**534,057**
Pooled investments (Restated)	0	2,170,354	164,677	**2,335,031**
Pooled property investments	0	0	363,108	**363,108**
Private equity partnerships	0	0	222,058	**222,058**
Derivatives – forward currency	5,724	0	0	**5,724**
Cash deposits	89,977	0	0	**89,977**
Amounts receivable for sales	1,291	0	0	**1,291**
Total Investment Assets	**696,948**	**2,170,354**	**749,843**	**3,617,145**
Non Financial Assets at Fair Value through Profit and Loss				
Direct Freehold Property	0	0	1,089	**1,089**
Financial Liabilities				
Payable for investment purchases	(13,181)	0	0	**(13,181)**
Net Investment Assets	**683,767**	**2,170,354**	**750,932**	**3,605,053**

b) Transfers between Fair Value Hierarchy Levels

There were no transfers between Level 1 and 2 in 2020-21 (no transfers during 2019-20).

During the year following a review by the Fund Manager four Pooled Debt Funds were reclassified as Level 3 assets from Level 2. The reclassification of these assets also applies to 2019-20 so the comparator disclosure tables in note 16 have been restated accordingly.

During the year two new investments were made and classified as level 3 in accordance with the classification guidelines in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

c) Reconciliation of Fair Value Measurements within Level 3

2020-21	Pooled Property / Freehold Property £000s	Private Equity £000s	Infrastructure Equity Pooled Fund £000s	Timberland Equity Pooled Fund £000s	Pooled Debt Fund £000s	Total £000s
Market value 1 April 2020	**364,198**	**222,058**	**89,447**	**20,821**	**54,410**	**750,934**
Transfers into Level 3	0	0	0	0	57,379	**57,379**
Transfers out of Level 3	0	0	0	0	0	**0**
Purchases during the year and derivative payments	24,344	57,013	188,406	1,928	30,712	**302,403**
Sales during the year and derivative receipts	(11,360)	(57,003)	(4,994)	(10,001)	(16,625)	**(99,983)**
Unrealised gains/(losses)	42,198	100,707	(11,890)	(508)	13,803	**144,310**
Realised gains/(losses)	(9,084)	30,409	175	264	0	**21,764**
Market value 31 March 2021	**410,296**	**353,184**	**261,144**	**12,504**	**139,679**	**1,176,807**

2019-20	Pooled Property / Freehold Property £000s	Private Equity £000s	Infrastructure Equity Pooled Fund £000s	Timberland Equity Pooled Fund £000s	Pooled Debt Fund (Restated) £000s	Total £000s
Market value 1 April 2019	**428,404**	**212,928**	**59,102**	**0**	**38,729**	**739,163**
Transfers into Level 3	0	0	0	0	0	**0**
Transfers out of Level 3	0	0	0	0	0	**0**
Purchases during the year and derivative payments	27,799	41,640	36,977	61,441	25,172	**193,029**
Sales during the year and derivative receipts	(36,449)	(47,562)	(9,564)	(41,041)	(1,151)	**(135,767)**
Unrealised gains/(losses)	6,030	21,514	124	112	(8,340)	**19,440**
Realised gains/(losses)	(61,586)	(6,462)	2,808	309	0	**(64,931)**
Market value 31 March 2020	**364,198**	**222,058**	**89,447**	**20,821**	**54,410**	**750,934**

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

17. Financial Instruments

a) Classification

31 March 2020				31 March 2021		
Fair value through profit and loss £000s	Assets at amortised cost £000s	Liabilities at amortised cost £000s		Fair value through profit and loss £000s	Assets at amortised cost £000s	Liabilities at amortised cost £000s
65,899	0	0	Fixed interest Securities	65,088	0	0
534,057	0	0	Equities	0	0	0
2,335,030	0	0	Pooled Investments	3,590,011	0	0
363,109	0	0	Pooled Property	409,086	0	0
222,058	0	0	Private equity	353,184	0	0
5,724	0	0	Derivative contracts	4,063	0	0
0	99,351	0	Cash		96,020	0
3,263	0	0	Other investment balances	6,372	0	0
0	114	0	Debtors		76	0
3,529,140	**99,465**	**0**	**Total Financial Assets**	**4,427,804**	**96,096**	**0**
(9,904)	0	0	Derivative contracts	(4,510)	0	0
0	0	(5,438)	Creditors	0	0	(3,462)
(3,277)	0	0	Other investment balances	(1,000)	0	0
(13,181)	**0**	**(5,438)**	**Total Financial Liabilities**	**(5,510)**	**0**	**(3,462)**
3,515,959	**99,465**	**(5,438)**	**Total Financial Instruments**	**4,422,294**	**96,096**	**(3,462)**

b) Net gains and losses on Financial Instruments

31 March 2020		31 March 2021
£000s		£000s
	Financial assets	
(217,733)	Fair value through profit and loss	875,253
0	Assets at amortised cost	0
	Financial liabilities	
(41,458)	Fair value through profit and loss	(37,288)
0	Liabilities at amortised cost	0
(259,191)	**Total**	**837,965**
	Reconciliation to Revenue and Fund Account – Profit and losses on disposal of Investments and change in the market value of investments	
(121)	Direct Freehold Property Holding (Not classified as a financial instrument)	121
(259,312)		**838,086**

In accordance with our accounting policies, financial assets and liabilities are included in the accounts on a fair value basis. The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18. Nature and Extent of Risks Arising From Financial Instruments

Risk and risk management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. As there is an essential contradiction in these two aims the investment strategy aims to achieve an acceptable overall balance between “risk and reward”. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management and investments strategies rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objectives of the Fund’s risk management strategy are to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return at a given level of risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investment presents a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited but restrictions are in place on managers undertaking this activity.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the Fund’s investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund’s performance monitoring advisor, the Fund has determined that the following movements in market price risk are reasonably possible for the 2020-21 reporting period:

Asset Type	Potential Market Movements (+/-) %
Short Index-Linked Gilts	4.10
Long Index-Linked Gilts	9.50
UK Equities including pooled	16.70
Overseas Equities including pooled	17.40
Infrastructure Equity	21.00
Timberland Equity	21.00
UK Bonds including pooled	7.30
Index Linked Gilts including pooled	9.50
Bonds including pooled	6.20
Cash and Cash Equivalents (Including Payables and Receivables)	0.30
Pooled Property Investments / Direct Freehold Property	14.20
Private Equity	28.50
Total	**11.50**

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is also shown below):

31 March 2021				
Asset Type	**Value £000s**	**Percentage Change %**	**Value on Increase £000s**	**Value on Decrease £000s**
Cash and Cash Equivalents including payables and receivables	80,686	0.30	80,928	80,444
Investment Portfolio Assets:				
Short Index-Linked Gilts	20,085	4.10	20,908	19,262
Long Index-Linked Gilts	11,747	9.50	12,863	10,631
UK Equities including pooled	560,890	16.70	654,559	467,221
Overseas Equities including pooled	1,451,817	17.40	1,704,433	1,199,201
Infrastructure Equity	261,144	21.00	315,984	206,304
UK Bonds including pooled	663,859	7.30	712,321	615,397
Index Linked Gilts including pooled	33,256	9.50	36,415	30,097
Bonds including pooled	639,797	6.20	679,464	600,130
Pooled Property Investments / Direct Freehold Property	410,296	14.20	468,558	352,034
Private Equity	353,184	28.50	453,841	252,527
Timberland	12,504	21.00	15,130	9,878
Total Assets Available to Pay Benefits	**4,499,265**	**11.50**	**5,016,680***	**3,981,850***

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

31 March 2020				
Asset Type	**Value £000s**	**Percentage Change %**	**Value on Increase £000s**	**Value on Decrease £000s**
Cash and Cash Equivalents including payables and receivables	83,812	0.30	84,063	83,561
Investment Portfolio Assets:				
Short Index-Linked Gilts	20,563	4.10	21,406	19,720
Long Index-Linked Gilts	12,862	9.30	14,058	11,666
UK Equities including pooled	446,017	27.50	568,672	323,362
Overseas Equities including pooled	1,066,114	28.00	1,364,626	767,602
Infrastructure Equity	89,447	20.10	107,426	71,468
UK Bonds including pooled	647,471	7.60	696,679	598,263
Index Linked Gilts including pooled	32,474	9.30	35,494	29,454
Bonds including pooled	599,216	8.70	651,348	547,084
Pooled Property Investments / Direct Freehold Property	364,198	14.20	415,914	312,482
Private Equity	222,058	28.40	285,122	158,994
Timberland	20,821	20.10	25,006	16,636
Total Assets Available to Pay Benefits	**3,605,053**	**11.10**	**4,005,214***	**3,204,892***

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

b) Interest Rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements through its gross cash holdings as at 31 March 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

31 March 2020	Value	31 March 2021
£000s	**Asset Type**	**£000s**
89,977	Investment Cash Balances	82,133
9,374	Cash in hand	13,887
65,899	Fixed Interest Securities	65,088
165,250	**Total**	**161,108**

31 March 2020	Interest Receivable	31 March 2021
£000s	**Asset Type**	**£000s**
1,324	Investment Cash Balances	145
73	Cash in hand	21
388	Fixed Interest Securities	567
1,785	**Total**	**733**

Interest Rate Risk Sensitivity Analysis

The council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100-basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied by the Administering Authority when considering risk in its own treasury management activities.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates:

31 March 2020				31 March 2021		
Asset values £000s	**Impact of +1% £000s**	**Impact of -1% £000s**	**Asset Type**	**Asset values £000s**	**Impact of +1% £000s**	**Impact of -1% £000s**
89,977	90,877	89,077	Investment Cash Balances	82,133	82,954	81,312
9,374	9,468	9,280	Cash in hand	13,887	14,026	13,748
65,899	66,558	65,240	Fixed Interest Bonds	65,088	65,739	64,437
165,250	**166,903**	**163,597**	**Total**	**161,108**	**162,719**	**159,497**

31 March 2020				31 March 2021		
Interest Receivable £000s	**Impact of +1% £000s**	**Impact of -1% £000s**	**Asset Type**	**Interest Receivable £000s**	**Impact of +1% £000s**	**Impact of -1% £000s**
1,324	1,337	1,311	Investment Cash Balances	145	146	144
73	74	72	Cash in hand	21	21	21
388	392	384	Fixed Interest Bonds	567	573	561
1,785	**1,803**	**1,767**	**Total**	**733**	**740**	**726**

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

c) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling and Sterling denominated pooled investment vehicles where the underlying assets are denominated in other currencies. As detailed in note 15a) the Fund has various hedging strategies in place to reduce the impact of currency volatility on the Fund assets. The table below the page is prepared after consideration of the hedging strategies in place.

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 9.80% in respect of non-sterling assets including those partially hedged to Sterling but excluding those where full hedging is in place (see note 15a).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.80% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows (values shown are for non-Sterling denominated assets were full hedging of currency risk is not in place):

31 March 2020				31 March 2021		
Asset Value	**Change to net assets available to pay benefits**			**Asset Value**	**Change to net assets available to pay benefits**	
	+10.80%	**-10.80%**			**+9.80%**	**-9.80%**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
1,066,114	106,611	(106,611)	Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,451,817	142,278	(142,278)
13,969	1,397	(1,397)	Infrastructure	141,384	13,856	(13,856)
20,821	2,082	(2,082)	Timberland	12,504	1,225	(1,225)
222,058	22,206	(22,206)	Private Equity	353,184	34,612	(34,612)
	132,296	**(132,296)**	**Change in net assets available to pay benefits**		**191,971**	**(191,971)**

The comparator figures have been restated to reflect additional asset with currency exposure.

d) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. Money market funds that are used all have AAA rating from a leading ratings agency.

The non-investment cash holding was managed through the treasury management arrangements of the Administering Authority:

The credit exposure was as follows:

31 March 2020 Short term Rating (S&P)	31 March 2020 Balances £000s	Bank Deposit Accounts	31 March 2021 Short term Rating (S&P)	31 March 2021 Balances £000s
AAA	4,675	Federated Money Market Fund		
AAA	4,674	Aberdeen Money Market Fund	AAA	6,953
		Barclays Bank Fixed Interest Bearing Call Account	A-1	6,954
		Bank current Accounts		
A-1	25	Barclays Bank	A-1	(20)
	9,374	**Total**		**13,887**

The majority of Custodied Investment cash is swept overnight to the AAA rated constant NAV money market funds of the custodian(s) and one other provider (Goldman Sachs Asset Management). The credit exposure on investment cash balances at 31 March 2021 comprise £73.1m (31 March 2020 £88.0m) deposited with AAA rated money market funds, £9.1m (2020 £0.4m) with the custodian HSBC (rated A-1+), £0m (2020 £1.6m) posted as variation margin to account held by HSBC and deposited overnight in the AAA money market funds detailed above. The current account figure includes control account balances.

e) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The Council has immediate access to its pension fund cash holdings. There were no deposits with fixed periods at 31 March 2021 (2020 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. The comparator figure has been restated in line with current liquidity profile of the Fund.

Balances at 31 March 2020 £000	Percentage of Total Fund Assets %	Balances at 31 March 2021 £000	Percentage of Total Fund Assets %
2,796,741	77.2	3,322,457	73.8

The Fund regularly monitors and forecasts future cash flow to understand and manage the timing of the Fund's cash flow obligations.

All financial liabilities at 31 March 2021 are due within one year.

Refinancing Risk

The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury and investment strategies.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013 (“The Regulations”), the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 2019.

The funding policy is set out in the administering authority’s Funding Strategy Statement. The key elements of the funding policy are:

- to ensure the long term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of approximately 20 years and to provide stability in employer contribution rates where prudently possible. Solvency is achieved when the funds held, plus future expected investment returns, and future contributions are sufficient to meet the expected future pension benefits payable. When an employer's funding level is less than 100% of the funding target (full solvency), then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

	Funded %	**Deficit £m**
2019 actuarial valuation	99%	28
2016 actuarial valuation	80%	710

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

2019 Valuation:

Primary Rate (% of pay)	**Secondary Rate £**		
1 April 2020 - 31 March 2023	**2020-21**	**2021-22**	**2022-23**
19.5%	£29,020,000	£30,689,000	£32,182,000

2016 Valuation:

Primary Rate (% of pay)	Secondary Rate £		
1 April 2017 - 31 March 2020	2017-18	2018-19	2019-20
19.4%	£26,306,000	£27,463,000	£31,813,000

The employer contribution rates payable (plus cash sums as applicable) arising from the 2019 Valuation are as follows:

Year	Employers Contribution Rates (% of actual pensionable pay)
1 April 2020 to 31 March 2021	Range from nil to 34.5
1 April 2021 to 31 March 2022	Range from nil to 34.5
1 April 2022 to 31 March 2023	Range from nil to 34.5

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial Assumptions at 31 March 2019

	% per annum Nominal	% per annum Real
Price inflation (CPI)	2.3	-
Pay increases	3.0	0.7
Investment return (Discount rate)	4.2	1.9

Mortality Assumptions

The Fund is member of Club Vita which provides bespoke set of longevity assumptions specifically tailored to the membership profile of the Fund. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Mortality assumption at age 65	Male	Female
Current Pensioners	21.7 years	23.9 years
Future Pensioners (current age 45)	22.8 years	25.5 years

The assumptions have changed since the previous IAS26 disclosure for the Fund in accordance with those used for the recently completed 2019 Triennial valuation.

Commutation assumption

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

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

Experience over the period since 31 March 2020

Markets were severely disrupted by COVID-19 in March 2020, but in the 2020-21 year they have recovered strongly. As a result, the funding position of the Fund as at 31 March 2021 is likely to be broadly similar to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

20. Actuarial Present Value of Promised Retirement Benefits

Under IAS26 the Fund is required to disclose the actuarial present value of promised retirement benefits. These represent the present value of the whole fund liabilities to pay future retirement benefits.

The required valuation is carried out by the Hymans Robertson LLP using a similar approach to that employed for individual participating employers reporting pension liabilities under either FRS102 (previously FRS17) or IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities than the methodology employed at the triennial funding valuation.

Under the IAS 19/FRS102 basis reporting is produced using the same base data as the last completed funding valuation rolled forward to the latest reporting date, taking account of material changes in membership numbers and updating assumptions to the current year and requirements of the reporting approach.

In order to assess the value of the benefits on this basis, the Fund Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 19).

31 March 2020		31 March 2021
£000s		**£000s**
(5,199,000)	Actuarial present value of promised retirement benefits	(6,893,000)
3,621,120	Fair Value of scheme assets (bid value)	4,527,097
(1,577,880)	**Net Liability**	**(2,365,903)**

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, there is no allowance made for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS 19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £1.409bn. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £80m.

Financial Assumptions

31 March 2020		31 March 2021
%	**Assumptions Used**	**%**
1.9	Inflation/Pension Increase Rate Assumption	2.85
2.6	Salary Increase Rate	3.55
2.3	Discount Rate	2.00

Longevity Assumptions

Life expectancy is based on the Fund's VitaCurves with improvement in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (sk7), initial adjustment of 0.5%and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.9 years	24.3 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.2 years	26.2 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation Assumptions

An allowance is included for future retirement 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.

Sensitivity Assumptions

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	627
0.5% p.a. increase in the Salary Increase Rate	1%	65
0.5% p.a. decrease in the Real Discount Rate	10%	706

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

The liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

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

21. Current Assets

31 March 2020		31 March 2021
£000s		**£000s**
	Cash in Hand	
9,374	Cash in Hand**	13,887
	Debtors:	
2,441	Contributions due - employees*	2,547
5,723	Contributions due - employers*	9,314
1,406	Employers special contributions	0
668	Augmentation & strain due	357
1,074	Dividends receivable**	5,498
867	Pooled funds rebate due**	873
526	UK tax receivable	526
1,325	Overseas tax receivable	1,006
74	VAT refund due	90
25	Interest due**	1
6	Stock lending/commission recapture**	0
108	Recharge of fees**	65
5	Prepayments	4
6	Sundry**	11
14,254	**Total Debtors**	**20,292**
23,628	**Current Assets**	**34,179**

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

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

31 March 2020		31 March 2021
£000s		**£000s**
	Long term debtors:	
645	Employers contributions	577
14	Augmentation & strain due	2
659	**Total Long Term Debtors**	**579**

Long term debtors comprise of amounts not due to be paid to the Fund for a period of more than 12 months from the balance sheet date.

31 March 2020		31 March 2021
£000s		**£000s**
	Analysis of Debtors (including Long Term):	
3,330	Central government bodies	1,622
4,474	Other local authorities	8,166
7,109	Other entities and individuals	11,083
14,913	**Total Debtors**	**20,871**

22. Current Liabilities

31 March 2020		31 March 2021
£000s		**£000s**
	Creditors:	
176	Transfer values payable (leavers)	523
1,474	Benefits payable	1,754
2,906	Investment Management Fees**	881
9	Receipts in Advance	14
2,523	Other Fees & Charges**	2,567
1,132	UK Taxation payable	1,187
8,220	**Total Creditors**	**6,926**

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

31 March 2020		31 March 2021
£000s		**£000s**
	Analysis of Creditors:	
1,131	Central government bodies	1,187
2,385	Other local authorities	2,458
4,704	Other entities and individuals	3,281
8,220	**Total Creditors**	**6,926**

23. Additional Voluntary Contributions

The fund has three in-house AVC providers; Prudential, Clerical Medical and Utmost Life and Pensions (previously Equitable Life - a legacy arrangement that is not open to new contributors). The value of AVC investments and contributions paid directly to the providers by scheme employers during the year is shown below.

31 March 2020		31 March 2021
£000s		**£000s**
5,428	Separately Invested AVC Funds	6,163

31 March 2020		31 March 2021
£000s		**£000s**
898	AVC contributions paid directly during the year	885

Due to a system change the financial statement for Prudential for the period 1 April 2020 to 31 March 2021 has not been supplied. The figure used above for the Market Value is the 2019-20 fund value plus the estimated 2020-21 contributions. The 2020-21 contributions are estimated to be the same as the 2019-20 contributions.

24. Agency Contracted Services

The Norfolk Pension Fund pays discretionary awards to the former employees of Norfolk County Council, the seven Norfolk district councils and twenty-three 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 2020		31 March 2021
£000s		**£000s**
1,189	Norwich City Council	1,171
1,210	Norfolk County Council	1,160
255	North Norfolk District Council	256
234	Borough Council of Kings Lynn & West Norfolk	223
180	Great Yarmouth Borough Council	173
103	Breckland District Council	102
106	Broadland District Council	100
58	South Norfolk District Council	53
154	Other	150
3,489	**Total**	**3,388**

25. Related Party Transactions

<u>Norfolk County Council</u>

The Fund is administered by Norfolk County Council. Consequently, there is a close relationship between the council and the Fund.

The council incurred costs in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

The Local Government Pension Scheme Regulations enables administration expenses to be charged to the Fund. Internal Audit Services are provided by Norfolk Audit Services, the internal audit function of the Administering Authority. Internal legal fees represent the total cost of internal advice provided by the legal services unit of the Administering Authority (NPLaw).

The council is also the single largest employer of members in the pension fund.

31 March 2020		31 March 2021
£000s		**£000s**
2,382	Norfolk County Council incurred administration and investment costs reimbursed by the fund	2,458
45,077	Norfolk County Council Employer Contributions	55,136

All monies owing to and due from the fund were paid within statutory timescales. All contributions were paid in accordance with the rates and adjustment certificate.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Norfolk County Council. The arrangement is managed through a service level agreement.

31 March 2020		31 March 2021
£000s		**£000s**
14,065	Average investment balance held by NCC Treasury Management Operation	15,730
102	Interest earned on balances invested by NCC Treasury Management Operation	21

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting. Declarations of interest are recorded in the minutes of each Committee meeting as part of the public record and a copy can be found on the Norfolk County Council website under Pension Committee papers at www.norfolk.gov.uk.

Personnel Employed in the Delivery of the Pensions Function by the Administering Authority

All employees of Norfolk County Council (other than those whose profession grants them access to other public service schemes) may join the Local Government Pension Scheme. This includes personnel employed in delivering the pensions function through the Norfolk Pension Fund. Benefits are accrued, and employee contributions calculated on a standard national, statutory basis.

Disclosure of senior officer remuneration is in note 13 of the Statement of Accounts of the Administering Authority (Norfolk County Council). This disclosure includes the Executive Director of Finance and Commercial Services who has responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and holds the role of Fund Administrator.

The Administering Authority (Norfolk County Council) disclosure of senior officer remuneration includes the Executive Director of Finance and Commercial Services who has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Fund and holds the role of Fund Administrator. For 2020-21 the remuneration amount incurred by the Fund was £9,000 (£9,000 2019-20).

Remuneration is deemed to include:

• Gross pay (before the deduction of employees' pension contributions).

• Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D).

• Compensation for loss of office and any other payments receivable on termination of employment transfer.

26. Contractual Commitments, Contingent Assets and Liabilities

a) Contractual Commitments

31 March 2020		31 March 2021
£000s		**£000s**
284,386	Private equity partnerships	260,296
28,526	Property investment vehicles	28,690
35,067	Pooled Debt Funds	18,771
285,025	Pooled Infrastructure	159,400
27,634	Pooled Timberland	32,002
660,638	**Total**	**499,159**

At 31 March 2021 the Fund had made contractual commitments to private equity funds managed by Aberdeen Standard Investments and HarbourVest Partners. Commitments are made in the underlying currency of the Fund (Euros and US Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both on the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

The Fund’s private equity programme is still relatively immature. The commitments are paid over the investment timeframe of the underlying partnerships. Concurrently as these partnerships mature they distribute capital back to investors.

The current value of the funded commitment net of distributions in these funds at 31 March 2021 is included in the net asset statement.

In addition to the private equity commitments, within the LaSalle property portfolio there are unfunded commitments to various property investment vehicles. This total potentially includes Sterling and US Dollar denominated commitments as at 31 March 2021. The foreign exchange exposure on the funded portion of these positions is hedged within the LaSalle portfolio but the unfunded commitments are impacted by exchange rate volatility. There are also commitments on the M&G Debt and Credit opportunities portfolio.

During 2020 the Fund entered into contractual relationships with two further Infrastructure managers. The contractual commitments associated with the new investments are shown above.

b) Contingent Assets

There were no contingent assets as at 31 March 2021 (none as at 31 March 2020).

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

Employer	Type
Acle Academy	Scheduled/Resolution Body
Acle Parish Council	Scheduled/Resolution Body
Action for Children (Wells)	Admitted Body
Action for Children (Dereham)	Admitted Body
Action for Children (Diss Children's Centre)	Admitted Body
Action for Children (Ex4Children)	Admitted Body
Action for Children (Fakenham Gateway Children's Centre)	Admitted Body
Action for Children (Hethersett)	Admitted Body
Action for Children (Nar & Terringtons Children's Centre)	Admitted Body
Ad Meliora Academy Trust	Scheduled/Resolution Body
Admirals Academy	Scheduled/Resolution Body
Alderman Peel High	Scheduled/Resolution Body
Alive West Norfolk Ltd	Scheduled/Resolution Body
All Saints Academy	Scheduled/Resolution Body
Angel Road Infant School	Scheduled/Resolution Body
Angel Road Junior School	Scheduled/Resolution Body
Anglia Maintenance Services	Admitted Body
Anthony Curton Primary School	Scheduled/Resolution Body
Antingham & Southrepps Community Primary School	Scheduled/Resolution Body
Archbishop Sancroft High School	Scheduled/Resolution Body
Arden Grove Infant and Nursery Academy	Scheduled/Resolution Body
Aslacton Primary School	Scheduled/Resolution Body
Aspens Services (Caister Academy)	Admitted Body
Astley Primary	Scheduled/Resolution Body
Attleborough High School Academy	Scheduled/Resolution Body
Attleborough Town Council	Scheduled/Resolution Body
Aylsham Town Council	Scheduled/Resolution Body
Banham Community Primary School	Scheduled/Resolution Body
Barford & Wramplingham Parish Council	Scheduled/Resolution Body
Bawdeswell Community Primary School	Scheduled/Resolution Body
Beeston Primary	Scheduled/Resolution Body
Beighton Parish Council	Scheduled/Resolution Body
Belton with Browston Parish Council	Scheduled/Resolution Body
Biffa Municipal Ltd	Admitted Body
Bignold Primary School	Scheduled/Resolution Body
Bishop's Primary School	Scheduled/Resolution Body
Blenheim Park Primary School	Scheduled/Resolution Body
Blofield Parish Council	Scheduled/Resolution Body
Bluebell Primary School	Scheduled/Resolution Body
Borough Council of King's Lynn & West Norfolk	Scheduled/Resolution Body

Employer	Type
Brancaster Parish Council	Scheduled/Resolution Body
Breckland Council	Scheduled/Resolution Body
Brisley Church of England Primary Academy	Scheduled/Resolution Body
Broadland District Council	Scheduled/Resolution Body
Broadland High Ormiston Academy	Scheduled/Resolution Body
Broads (2006) Internal Drainage Board	Scheduled/Resolution Body
Broads Authority	Scheduled/Resolution Body
Brundall Parish Council	Scheduled/Resolution Body
Bunwell Primary School	Scheduled/Resolution Body
Burnham Market Parish Council	Scheduled/Resolution Body
Burnham Market Primary	Scheduled/Resolution Body
Burston Primary	Scheduled/Resolution Body
Butterflies Nursery	Scheduled/Resolution Body
Buxton With Lamas Parish Council	Scheduled/Resolution Body
Caister Academy	Scheduled/Resolution Body
Capita (Breckland Contract)	Admitted Body
Castle Acre Church of England Primary School	Scheduled/Resolution Body
Caston Church of England Primary Academy	Scheduled/Resolution Body
Caterlink (City of Norwich School)	Admitted Body
Caterlink (College of West Anglia)	Admitted Body
Cawston Parish Council	Scheduled/Resolution Body
Cawston Primary School	Scheduled/Resolution Body
Change Grow Live	Admitted Body
Charles Darwin Primary School	Scheduled/Resolution Body
Chartwell (Iceni Academy)	Admitted Body
Cherry Tree Academy Marham Infant	Scheduled/Resolution Body
Cherry Tree Academy Marham Junior	Scheduled/Resolution Body
Cherry Tree Academy Trust Marham	Scheduled/Resolution Body
Childhood First	Admitted Body
Churchill (Acle Academy)	Admitted Body
Churchill Park Academy	Scheduled/Resolution Body
Circle Anglia Limited	Admitted Body
City Academy Norwich	Scheduled/Resolution Body
City College Norwich	Scheduled/Resolution Body
City of Norwich School	Scheduled/Resolution Body
Clarion Academy Trust	Scheduled/Resolution Body
Clenchwarton Primary School	Scheduled/Resolution Body
Cliff Park Ormiston Academy	Scheduled/Resolution Body
Cliff Park Schools Trust Ltd	Scheduled/Resolution Body
Cobholm Primary Academy	Scheduled/Resolution Body
Colkirk Church of England Primary School	Scheduled/Resolution Body

Employer	Type
College of West Anglia	Scheduled/Resolution Body
Corpusty Primary	Scheduled/Resolution Body
Costessey Junior School (Academy)	Scheduled/Resolution Body
Costessey Town Council	Scheduled/Resolution Body
Cranworth Parish Council	Scheduled/Resolution Body
Cringleford Parish Council	Scheduled/Resolution Body
Cromer Academy Trust	Scheduled/Resolution Body
Cromer Junior School	Scheduled/Resolution Body
Cromer Town Council	Scheduled/Resolution Body
Dereham Church of England Junior Academy	Scheduled/Resolution Body
Dereham Town Council	Scheduled/Resolution Body
Dersingham Parish Council	Scheduled/Resolution Body
Diamond Academy	Scheduled/Resolution Body
Dickleburgh Church of England Primary Academy	Scheduled/Resolution Body
Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust)	Scheduled/Resolution Body
Diocese of Norwich Education Services Company	Scheduled/Resolution Body
Diocese of Norwich St Benet's Multi-Academy Trust	Scheduled/Resolution Body
Diss Church of England Junior School	Scheduled/Resolution Body
Diss High School (Academy)	Scheduled/Resolution Body
Diss Infant Academy and Nursery	Scheduled/Resolution Body
Diss Town Council	Scheduled/Resolution Body
Ditchingham Church of England Primary Academy	Scheduled/Resolution Body
Downham & Stow Bardolph Internal Drainage Board	Scheduled/Resolution Body
Downham Market Academy	Scheduled/Resolution Body
Downham Market Town Council	Scheduled/Resolution Body
Drayton Community Infant School	Scheduled/Resolution Body
Drayton Parish Council	Scheduled/Resolution Body
Duchy of Lancaster Methwold Church of England Primary	Scheduled/Resolution Body
Dussindale Primary School	Scheduled/Resolution Body
East Norfolk Sixth Form College	Scheduled/Resolution Body
East of Ouse, Polver & Nar Internal Drainage Board	Scheduled/Resolution Body
East Ruston Infant School and Nursery	Scheduled/Resolution Body
Eastern Inshore Fisheries and Conservation Authority	Scheduled/Resolution Body
Eastern Multi-Academy Trust	Scheduled/Resolution Body
Eastgate Academy	Scheduled/Resolution Body
Eaton Hall Specialist Academy	Scheduled/Resolution Body
Eaton Primary School	Scheduled/Resolution Body
Edith Cavell Academy	Scheduled/Resolution Body
Edward Worlledge Primary	Scheduled/Resolution Body
Edwards & Blake (Fakenham Infant and Nursery School)	Admitted Body
Edwards & Blake (Fred Nicholson School)	Admitted Body

Employer	Type
Edwards & Blake (Magdalen Gates Primary)	Admitted Body
Edwards & Blake (Cherry Tree Marham Infant Academy)	Admitted Body
Edwards & Blake (Unity Trust Kings Park)	Admitted Body
Edwards & Blake (Wymondham Academy)	Admitted Body
Edwards and Blake	Admitted Body
Edwards and Blake (Reepham High)	Admitted Body
Emneth Primary	Scheduled/Resolution Body
Evolution Academy Trust	Scheduled/Resolution Body
Fakenham Academy Norfolk	Scheduled/Resolution Body
Fakenham Infant & Nursery	Scheduled/Resolution Body
Fakenham Junior School	Scheduled/Resolution Body
Fakenham Town Council	Scheduled/Resolution Body
Filby Primary School	Scheduled/Resolution Body
Firside Junior School	Scheduled/Resolution Body
Flagship Housing Group	Admitted Body
Flegg High School	Scheduled/Resolution Body
Flitcham Church of England Primary Academy	Scheduled/Resolution Body
Foulsham Primary	Scheduled/Resolution Body
Framingham Earl High School	Scheduled/Resolution Body
Framingham Earl Parish Council	Scheduled/Resolution Body
Freebridge Community Housing Ltd	Admitted Body
Gardoldisham Church Primary School	Scheduled/Resolution Body
Garrick Green Academy	Scheduled/Resolution Body
Garvestone Primary School	Scheduled/Resolution Body
Garvestone, Remerston and Thuxton Parish Council	Scheduled/Resolution Body
Gayton Church of England Primary Academy	Scheduled/Resolution Body
Gaywood Primary	Scheduled/Resolution Body
George White Junior	Scheduled/Resolution Body
Ghost Hill Infant & Nursery School	Scheduled/Resolution Body
Gillingham St Michael’s Primary	Scheduled/Resolution Body
Glebeland Primary School	Scheduled/Resolution Body
Gooderstone Church of England Primary Academy	Scheduled/Resolution Body
Great and Little Plumstead Parish Council	Scheduled/Resolution Body
Great Hockham Primary	Scheduled/Resolution Body
Great Snoring Parish Council	Scheduled/Resolution Body
Great Witchingham Church of England Primary School	Scheduled/Resolution Body
Great Witchingham Parish Council	Scheduled/Resolution Body
Great Yarmouth Borough Council	Scheduled/Resolution Body
Great Yarmouth Charter	Scheduled/Resolution Body
Great Yarmouth College of Further Education	Scheduled/Resolution Body
Great Yarmouth Norse	Scheduled/Resolution Body

Employer	Type
Great Yarmouth Port Authority	Admitted Body
Great Yarmouth Port Company	Admitted Body
Great Yarmouth Primary Academy	Scheduled/Resolution Body
Gresham Village School	Scheduled/Resolution Body
Greyfriars Academy	Scheduled/Resolution Body
Grove House Nursery Primary School	Scheduled/Resolution Body
GYB Services Ltd	Scheduled/Resolution Body
Happisburgh Parish Council	Scheduled/Resolution Body
Hardingham Parish Council	Scheduled/Resolution Body
Harleston CE Primary Academy	Scheduled/Resolution Body
Harling Parish Council	Scheduled/Resolution Body
Harrison Catering (Dussindale Primary School)	Admitted Body
Heacham Infant School	Scheduled/Resolution Body
Heacham Junior School	Scheduled/Resolution Body
Heart Education Trust	Scheduled/Resolution Body
Heartsease Primary Academy	Scheduled/Resolution Body
Heather Avenue Infant	Scheduled/Resolution Body
Hellesdon High School Academy	Scheduled/Resolution Body
Hellesdon Parish Council	Scheduled/Resolution Body
Hemblington Parish Council	Scheduled/Resolution Body
Hemblington Primary	Scheduled/Resolution Body
Hemsby Parish Council	Scheduled/Resolution Body
Henderson Green Primary Academy	Scheduled/Resolution Body
Hethel Innovation Ltd	Admitted Body
Hethersett Academy	Scheduled/Resolution Body
Hethersett Parish Council	Scheduled/Resolution Body
Highgate Infant School	Scheduled/Resolution Body
Hilgay Riverside Academy	Scheduled/Resolution Body
Hillside Avenue Primary and Nursery School	Scheduled/Resolution Body
Hindolveston Parish Council	Scheduled/Resolution Body
Hobart High School Academy	Scheduled/Resolution Body
Hockering Primary Academy	Scheduled/Resolution Body
Holt Town Council	Scheduled/Resolution Body
Hopton Church of England Primary Academy	Scheduled/Resolution Body
Hoveton Parish Council	Scheduled/Resolution Body
Hunstanton Town Council	Scheduled/Resolution Body
I.E.Trust	Scheduled/Resolution Body
Iceni Academy	Scheduled/Resolution Body
Inclusive Schools Trust	Scheduled/Resolution Body
Independence Matters	Admitted Body
Inspiration Trust	Scheduled/Resolution Body

Employer	Type
Jane Austin College	Scheduled/Resolution Body
Kenninghall Primary	Scheduled/Resolution Body
Kettlestone Parish Council	Scheduled/Resolution Body
King Edward VII Academy	Scheduled/Resolution Body
King’s Lynn Internal Drainage Board	Scheduled/Resolution Body
King’s Park Infant School	Scheduled/Resolution Body
King's Lynn Academy	Scheduled/Resolution Body
King's Lynn Internal Drainage Board	Scheduled/Resolution Body
Kings Oak Academy	Scheduled/Resolution Body
Kinsale Junior School	Scheduled/Resolution Body
Kirby Cane and Ellingham Parish Council	Scheduled/Resolution Body
Konectbus Ltd	Admitted Body
KWEST Multi Academy Trust	Scheduled/Resolution Body
Lafarge Tarmac	Admitted Body
Lingwood and Burlingham Parish Council	Scheduled/Resolution Body
Lingwood Primary Academy	Scheduled/Resolution Body
Lionwood Infant + Nursery	Scheduled/Resolution Body
Lionwood Junior	Scheduled/Resolution Body
Litcham School	Scheduled/Resolution Body
Little Snoring Community Primary Academy	Scheduled/Resolution Body
Little Snoring Parish Council	Scheduled/Resolution Body
Loddon Parish Council	Scheduled/Resolution Body
Lodge Lane Infant School	Scheduled/Resolution Body
Long Stratton High	Scheduled/Resolution Body
Ludham Parish Council	Scheduled/Resolution Body
Lynn Grove High School (Academy)	Scheduled/Resolution Body
Magdalen Village Academy	Scheduled/Resolution Body
Manor Field Infant Nursery School	Scheduled/Resolution Body
Marshland High School	Scheduled/Resolution Body
Marshland St. James Primary School	Scheduled/Resolution Body
Martham Parish Council	Scheduled/Resolution Body
Martham School Trust	Scheduled/Resolution Body
Mattishall Parish Council	Scheduled/Resolution Body
Mattishall Primary	Scheduled/Resolution Body
Middleton Primary School	Scheduled/Resolution Body
Moorlands Church of England Primary Academy	Scheduled/Resolution Body
Mousehold Infant and Nursery School	Scheduled/Resolution Body
Mundesley Parish Council	Scheduled/Resolution Body
Mundford Church of England Primary	Scheduled/Resolution Body
Narborough Church of England Primary Academy	Scheduled/Resolution Body
NCS (Assistive Technology)	Scheduled/Resolution Body

Employer	Type
NCS Transport Ltd	Scheduled/Resolution Body
Neatherd High School	Scheduled/Resolution Body
Nelson Academy	Scheduled/Resolution Body
Nelson Infant School	Scheduled/Resolution Body
New Anglia Enterprise Council	Admitted Body
New Buckenham Parish Council	Scheduled/Resolution Body
Newton Flotman Church of England Primary Academy	Scheduled/Resolution Body
Newton Flotman Parish Council	Scheduled/Resolution Body
Nightingale Infant & Nursery School	Scheduled/Resolution Body
Norfolk Chief Constable	Scheduled/Resolution Body
Norfolk County Council	Scheduled/Resolution Body
Norfolk Educational Services (NES)	Scheduled/Resolution Body
Norfolk Heritage Fleet Trust	Admitted Body
Norfolk Police and Crime Commissioner	Scheduled/Resolution Body
Norfolk Rivers Internal Drainage Board	Scheduled/Resolution Body
Norman Church of England Primary School	Scheduled/Resolution Body
Norse Care Limited	Scheduled/Resolution Body
Norse Care Services	Scheduled/Resolution Body
Norse Commercial Services	Scheduled/Resolution Body
Norse Eastern	Scheduled/Resolution Body
Norse Eastern (Highways)	Scheduled/Resolution Body
North Norfolk Academy Trust	Scheduled/Resolution Body
North Norfolk District Council	Scheduled/Resolution Body
North Walsham High School	Scheduled/Resolution Body
North Walsham Infant and Nursery	Scheduled/Resolution Body
North Walsham Junior	Scheduled/Resolution Body
North Walsham Town Council	Scheduled/Resolution Body
North Wootton Community School	Scheduled/Resolution Body
Northgate High School	Scheduled/Resolution Body
Northgate Primary School	Scheduled/Resolution Body
Northrepps Parish Council	Scheduled/Resolution Body
Norwich City Council	Scheduled/Resolution Body
Norwich Norse	Scheduled/Resolution Body
Norwich Primary Academy	Scheduled/Resolution Body
Norwich Regeneration Limited	Admitted Body
Norwich Road Academy	Scheduled/Resolution Body
Norwich University of the Arts	Scheduled/Resolution Body
Notre Dame High School Academy	Scheduled/Resolution Body
NPS (London) Ltd	Scheduled/Resolution Body
NPS (Norwich) Ltd	Scheduled/Resolution Body
NPS (South East) Ltd	Scheduled/Resolution Body

Employer	Type
NPS (South West) Ltd	Scheduled/Resolution Body
NPS Property Consultants Ltd	Scheduled/Resolution Body
Old Buckenham High School	Scheduled/Resolution Body
Old Buckenham Primary School	Scheduled/Resolution Body
Old Catton Parish Council	Scheduled/Resolution Body
Open Academy - Heartsease	Scheduled/Resolution Body
Ormiston Herman Academy	Scheduled/Resolution Body
Ormiston Venture Academy	Scheduled/Resolution Body
Ormiston Victory Academy	Scheduled/Resolution Body
Oulton Parish Council	Scheduled/Resolution Body
Ovington Parish Council	Scheduled/Resolution Body
Parkers Church of England Primary Academy	Scheduled/Resolution Body
Peterhouse Primary School	Scheduled/Resolution Body
Poringland Parish Council	Scheduled/Resolution Body
Postwick with Witton Parish Council	Scheduled/Resolution Body
Queensway Infant Academy and Nursery	Scheduled/Resolution Body
Raleigh Infant Academy	Scheduled/Resolution Body
Redenhall with Harleston Town Council	Scheduled/Resolution Body
Reedham Parish Council	Scheduled/Resolution Body
Reepham High School and College	Scheduled/Resolution Body
Reepham Primary School	Scheduled/Resolution Body
Reepham Town Council	Scheduled/Resolution Body
Reffley Community School	Scheduled/Resolution Body
Right for Success Academy Sponsorship Trust	Scheduled/Resolution Body
Ringland Parish Council	Scheduled/Resolution Body
Rockland St Mary	Scheduled/Resolution Body
Rollesby Parish Council	Scheduled/Resolution Body
Rudham Church of England Primary School	Scheduled/Resolution Body
Runcton Holme Church of England Primary School	Scheduled/Resolution Body
Sacred Heart Catholic V A Primary	Scheduled/Resolution Body
Salhouse Parish Council	Scheduled/Resolution Body
Sandringham And West Newton Church Of England Primary Academy	Scheduled/Resolution Body
Saxlingham Nethergate Parish Council	Scheduled/Resolution Body
Scoulton Parish Council	Scheduled/Resolution Body
Sculthorpe Church of England Primary School	Scheduled/Resolution Body
Seething + Mundham Primary	Scheduled/Resolution Body
Sentinel Leisure Trust	Admitted Body
Serco Government Services	Admitted Body
Serco Group Plc (North Norfolk District Council)	Admitted Body
Sewell Park Academy	Scheduled/Resolution Body
Sheringham High School (Academy)	Scheduled/Resolution Body

Employer	Type
Sheringham Town Council	Scheduled/Resolution Body
Short Stay School for Norfolk	Scheduled/Resolution Body
Sir Isaac Newton Free School	Scheduled/Resolution Body
Smithdon High School	Scheduled/Resolution Body
Snettisham Parish Council	Scheduled/Resolution Body
Snettisham Primary School	Scheduled/Resolution Body
South Norfolk District Council	Scheduled/Resolution Body
South Walsham Parish Council	Scheduled/Resolution Body
South Wootton Parish Council	Scheduled/Resolution Body
Southery & District Internal Drainage Board	Scheduled/Resolution Body
Southery Academy	Scheduled/Resolution Body
Southtown Primary School	Scheduled/Resolution Body
Spixworth Parish Council	Scheduled/Resolution Body
Spooner Row Primary	Scheduled/Resolution Body
Sporle Church of England Primary School	Scheduled/Resolution Body
Sports & Leisure Management Ltd	Admitted Body
Springwood High School Academy Trust	Scheduled/Resolution Body
Sprowston High School	Scheduled/Resolution Body
Sprowston Town Council	Scheduled/Resolution Body
St Augustine’s Catholic Primary School	Scheduled/Resolution Body
St Clements HS Academy	Scheduled/Resolution Body
St Edmunds Academy	Scheduled/Resolution Body
St Francis of Assisi Catholic School	Scheduled/Resolution Body
St Germans Academy	Scheduled/Resolution Body
St John the Baptist Trust	Scheduled/Resolution Body
St Martha’s Catholic Primary School	Scheduled/Resolution Body
St Martin at Shouldham Church of England Primary Academy	Scheduled/Resolution Body
St Mary & St Peter Catholic Primary School	Scheduled/Resolution Body
St Mary's Church of England Junior School (Academy)	Scheduled/Resolution Body
St Michael's Church of England Academy (King's Lynn)	Scheduled/Resolution Body
St Peter & St Paul Carbroke Church of England Primary Academy	Scheduled/Resolution Body
St Peters Church of England Primary Academy	Scheduled/Resolution Body
St. Clements Hill Primary Academy	Scheduled/Resolution Body
Stalham Academy	Scheduled/Resolution Body
Stalham High School	Scheduled/Resolution Body
Stalham Infant School and Nursery	Scheduled/Resolution Body
Stalham Town Council	Scheduled/Resolution Body
Stradbroke Primary	Scheduled/Resolution Body
Strumpshaw Parish Council	Scheduled/Resolution Body
Suffolk Coastal Services	Scheduled/Resolution Body
Surlingham Primary	Scheduled/Resolution Body

Employer	Type
Swaffham Church of England Junior School	Scheduled/Resolution Body
Swaffham Town Council	Scheduled/Resolution Body
Swannington with Alderford LW	Scheduled/Resolution Body
Swanton Morley Parish Council	Scheduled/Resolution Body
Tasburgh Parish Council	Scheduled/Resolution Body
Taverham High School	Scheduled/Resolution Body
Taverham Parish Council	Scheduled/Resolution Body
Ten Mile Bank Community Primary School	Scheduled/Resolution Body
Tharston and Hapton Parish Council	Scheduled/Resolution Body
The Fen Rivers Academy	Scheduled/Resolution Body
The Free School Norwich	Scheduled/Resolution Body
The Hewett Academy	Scheduled/Resolution Body
The Howard Junior	Scheduled/Resolution Body
The Nicholas Hamond Academy	Scheduled/Resolution Body
The Wensum Trust	Scheduled/Resolution Body
The Wherry School	Scheduled/Resolution Body
The Yare Education Trust	Scheduled/Resolution Body
Thetford Academy	Scheduled/Resolution Body
Thetford Free School	Scheduled/Resolution Body
Thetford Town Council	Scheduled/Resolution Body
Thomas Bullock Primary	Scheduled/Resolution Body
Thompson Primary	Scheduled/Resolution Body
Thorpe St Andrew School and 6th Form	Scheduled/Resolution Body
Thorpe St. Andrew Town Council	Scheduled/Resolution Body
Thurlton Primary	Scheduled/Resolution Body
Tilney All Saints VC Primary School	Scheduled/Resolution Body
Tivetshall Primary	Scheduled/Resolution Body
Tuckswood Academy and Nursery	Scheduled/Resolution Body
Unity Education Trust	Scheduled/Resolution Body
University Technical College Norfolk	Scheduled/Resolution Body
Upton with Fishley Parish Council	Scheduled/Resolution Body
Upwell Community Primary School	Scheduled/Resolution Body
Valley Primary Academy	Scheduled/Resolution Body
Village Green Nursery	Scheduled/Resolution Body
Wacton Parish Council	Scheduled/Resolution Body
Walpole Cross Keys Primary School	Scheduled/Resolution Body
Walsingham Parish Council	Scheduled/Resolution Body
Watton Town Council	Scheduled/Resolution Body
Watton Westfield Infant & Nursery School	Scheduled/Resolution Body
Wayland High School Academy	Scheduled/Resolution Body
Wayland Junior Academy	Scheduled/Resolution Body

Employer	Type
Weasenham Church of England Primary School	Scheduled/Resolution Body
Weeting VC Primary School	Scheduled/Resolution Body
Wells Next The Sea Primary	Scheduled/Resolution Body
Wells-Next-The-Sea Town Council	Scheduled/Resolution Body
Wensum Junior School	Scheduled/Resolution Body
West Lynn Primary	Scheduled/Resolution Body
West Raynham VC Primary School	Scheduled/Resolution Body
Whitefriars Church of England Primary Academy	Scheduled/Resolution Body
White House Farm Primary School	Scheduled/Resolution Body
Wimbotsham and Stow Academy	Scheduled/Resolution Body
Winterton Primary School and Nursery	Scheduled/Resolution Body
Woodlands Primary Academy	Scheduled/Resolution Body
Wormegay Primary	Scheduled/Resolution Body
Wroughton Infant Academy	Scheduled/Resolution Body
Wroughton Junior Academy	Scheduled/Resolution Body
Wroxham Parish Council	Scheduled/Resolution Body
Wymondham Academy College	Scheduled/Resolution Body
Wymondham College Prep School	Scheduled/Resolution Body
Wymondham High Academy	Scheduled/Resolution Body
Wymondham Town Council	Scheduled/Resolution Body

Glossary of Terms

ACCOUNTING POLICIES The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

ACCRUALS Amounts included in the accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

AMORTISATION The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible asset.

AMORTISED COST A mechanism that sees through contractual terms to measure the full cost/benefit that a council bears each year from being party to a financial liability/asset. For instance, if a premium is paid for the right to enter into a loan at less than market rates or a period of lower than market interest rates is granted and compensated for by a period of higher than market rates, councils are required to account using a single effective interest rate. Interest payable in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement will then be recognised on a level interest rate basis over the expected life of the loan.

ASSET An item owned by the Council which has a value, for example, premises, vehicles, equipment, cash. Fixed assets or long term assets yield benefits to the Council and the services it provides for a period of more than one year.

ASSOCIATED COMPANIES An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.).

BORROWING Local authorities can borrow to invest in capital works and assets so long as the cost of that borrowing is affordable and prudent. The Council borrows in the long term to finance capital expenditure and in the short term to smooth daily cash flow requirements. The principal source of borrowings for more than one year (i.e. classified as long term borrowing) is the Public Works Loan Board.

BUDGET The statement of the Council's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see revenue expenditure), and the Capital Budget plans for asset acquisitions and replacements (see capital expenditure).

CAPITAL EXPENDITURE Payments for the acquisition, construction or replacement of an asset, or expenditure which adds to the life or value of an existing asset (enhancement).

CAPITAL FINANCING Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL RECEIPTS Monies received for the sale of assets, some of which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by the Central Government.

CASH EQUIVALENTS These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash Equivalents are held to meet short term cash commitments rather than for investment purposes.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA) The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (the Code) The Code of Practice on Local Authority Accounting in the United Kingdom: Based on International Financial Reporting Standards (the Code) aims to achieve consistent financial reporting between all English local authorities. It is based in generally accepted accounting standards and practices.

COLLECTION FUND A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates. District Councils estimate the extent to which they will successfully collect Council Tax in their area. Any surplus or deficit is carried forward to the next financial year.

COMMUNITY ASSETS Community assets are assets that the local authority intends to hold for an unlimited period of time, have no determinable useful life and may have restrictions on their disposal.

CONTINGENT LIABILITIES Potential costs that the Council may incur in the future because of something that happened in the past. A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or
- a present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

CORPORATE AND DEMOCRATIC CORE (CDC) Corporate and Democratic Core represents costs associated with democratic representation and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure but are excluded from the costs of any particular service.

CREDITORS Amounts owed by the Council for goods and services received for which payment has not been made as at 31 March.

DEBTORS Amounts owed to the Council for goods and services provided for which payment has not been received as at 31 March.

DEFICIT Arises when expenditure exceeds income or when expenditure exceeds available budget.

DEFINED BENEFIT SCHEME A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not related to the investments of the scheme.

DEFINED CONTRIBUTION SCHEME A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION The measure of the wearing out, consumption, or other reduction in the useful economic life of a tangible asset.

EXCEPTIONAL ITEMS Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EVENTS AFTER THE BALANCE SHEET Events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Those events that provide evidence of conditions that existed at the end of the reporting period are adjusted for in the Statement of Accounts. Events that are indicative of conditions that arose after the reporting period are disclosed if material, but no adjustment is made to the Statement of Accounts.

FAIR VALUE The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL INSTRUMENT Any contract that gives rise to a financial asset in one organisation and a financial liability in another. A financial asset is a right to future economic benefits, examples include the lending of money. A financial liability is an obligation to transfer economic benefits, examples include the borrowing of money.

FINANCE AND OPERATING LEASE A finance lease transfers all the risks and rewards of ownership of an asset to the lessee. If these leases are used, the assets acquired must be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service’s revenue account.

GENERAL FUND The account to which the cost of providing the Council Services is charged that are paid for from Council Tax and Government Grants (excluding the Housing Revenue Account).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

IAS19 RETIREMENT BENEFITS This International Accounting Standard requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet but does not impact on council tax.

IMPAIRMENT A reduction in the value of an asset to below its carrying amount on the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits such as physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.

INFRASTRUCTURE ASSETS A type of asset that have an indefinite useful life and are not usually capable of being sold. Expenditure on infrastructure assets is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights

INVENTORY Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENT PROPERTIES Assets that the Council owns but are not used in the direct delivery of services, for example the Norwich Airport Industrial Estate.

LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC) The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) assists CIPFA in setting the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

LIABILITY An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

MINIMUM REVENUE PROVISION (MRP) The minimum amount, calculated in accordance with statutory guidance, that must be charged to the Council’s revenue account each year to meet the costs of repaying amounts borrowed. This ensures that the Council makes a satisfactory annual provision for loan repayments.

NET BOOK VALUE The amount at which assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NATIONAL NON-DOMESTIC RATES (NNDR) The business rate in the pound is the same for all non-domestic rate payers and is set annually by the Government. Income from business rates goes into a central Government pool, which is then distributed to local authorities according to resident population.

NON-DISTRIBUTED COSTS These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

OUTTURN The actual amount spent in the financial year.

PRIVATE FINANCE INITIATIVE (PFI) A Government initiative that enabled, through the provision of financial support, authorities to carry out capital projects through partnership with the private sector.

PRECEPTS The income which the Council requires a District Council to raise on behalf of the County Council from Council Tax.

PROVISION An amount put aside in the accounts for future liabilities or losses which are certain or highly likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENTIAL CODE The Government removed the extensive capital controls on borrowing and credit arrangements from 1 April 2004 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.

PUBLIC WORKS LOANS BOARD (PWLB) A Government controlled agency that provides a source of borrowing for public authorities.

RESERVES A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. County Fund (General Balances) is available to meet future revenue and capital expenditure.

REVENUE EXPENDITURE AND INCOME The expenditure includes day to day expenses, mainly salaries and wages, general running expenses and the minimum revenue provision cost. Revenue income includes charges made for goods and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS) Capital expenditure, which does not create a tangible asset, e.g. improvement, grants or expenditure on an asset not owned by the County Council, e.g. leased properties.

SUBSIDIARY An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)

SURPLUS Arises when income exceeds expenditure or when expenditure is less than available budget.

UK GAAP (GENERALLY ACCEPTED ACCOUNTING PRACTICES in the UK) The body of accounting standards and other guidance published by the UK's Financial Reporting Council (FRC)

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This document has been produced by the Corporate Accountancy Team.
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Audit Committee

Item No:9

Decision making report title: Norfolk Audit Services Report for the Quarter ending 30 September 2021

Date of meeting: 14 October 2021

Responsible Cabinet Member: N/a

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a key decision? No

Executive Summary

The Section 151 Officer has a duty to ensure there is proper stewardship of public funds and that relevant regulations are complied with.

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.

The Council has an approved Business Plan, 'Together, for Norfolk' setting out a clear set of priorities. Internal Audit's work will contribute to these new priorities through the activity set out in supporting Service Plans.

The Chief Internal Auditor reviews the effectiveness of the system of internal control, including risk management, throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reports that, for the quarter ended 30 September 2021 the system of internal control, including the arrangements for the management of risk was acceptable and therefore considered sound.

Recommendations

1. **To consider and agree: -**
   - **the key messages featured in this quarterly report, that the work and assurance meet their requirements and advise if further information is required**

1. Background and Purpose

1.1 The Council must undertake sufficient internal audit coverage to comply with the Accounts and Audit Regulations (England) 2015, as amended. The allocation of audit time was based on a risk assessment and this is continuously reviewed throughout the year.

1.2 This report supports the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The purpose of this report is to update the Audit Committee on the progress with the delivery of the internal audit work and to advise on the overall opinion on the effectiveness of risk management and internal control. The report sets out the work to support the opinion and any matters of note.

2. Proposals

2.1 The Audit Committee are recommended to consider and agree: -

- the key messages below
- that the work and assurance meet their requirements and advise if further information is required.

2.2 The key messages are as follows: -

2021/22 Opinion work

- Appendix A details the final reports Issued in the Quarter ending 30 September 2021.
- Appendix B provide a status update on the audits in 2021/22 Audit Plan, including those which have been cancelled or deferred.

2.3 Our current cumulative position as at 30 September 2021 for 2021/22 audits is shown in the table below.

Status	Number
Final reports and Management Letters	5
Draft reports	0
WIP	13
Not started	13

Cancelled or deferred	22
Total audits	**53**

Grant Certifications

2.4 The grant certifications completed up to the end of quarter 2 are detailed in Appendix C. All the required grant certifications have been completed on time.

Traded Full School Audits

2.5 Thirteen traded full school audits were completed between April and July 20211 and a further ten are scheduled to take place between September and December 2021.

External Clients

2.6 In the first half of the year, we have completed financial internal controls assurance work for the Norwich Housing Society and internal audit work for EIFCA (Eastern Inshore Fisheries & Conservation Authority) on compliance with relevant controls and procedures expected to be in operation during the financial year ending 31st March 2021.

Norfolk Pension Fund

2.7 Work is progressing on the Audit Plan for 2021/22; no audit work has reached final report stage yet.

Staffing

2.8 We have now recruited an Auditor on a six-month contract to cover our long term sickness absence. This Auditor will be working predominantly on traded full school audits and grant certifications.

Overall Opinion

2.9 This quarterly NAS report confirms that the overall opinion on internal controls and risk management remains acceptable.
(N.B.: - three descriptors can be used for our overall annual opinion: acceptable – green, key issues to be addressed – amber and key issues to be addressed – red)

Progress with the implementation of agreed recommendations

2.10 Five audits have reached final report stage and of these, two have the overall audit opinion, 'Key Issues – Amber'. We are currently actively monitoring the progress of implementing recommendations for these two audits.

2.11 Further recommendations for the two audits currently at draft report stage will be released for monitoring once the audits reach final report stage. Therefore, we are not yet able to report to Audit Committee on how many of our recommendations have been implemented or not.

Data analytics

2.12 Data Analytics is a useful tool for performance management, decision making and auditing. Such analysis enables information to be drawn from large or whole populations of system data providing improved and deeper assurance. The Council uses Power BI to undertake data analytics to support performance management. We are in the process of considering our approach to implementing the use of data analytics in all our work. There is an option an extend our audit system, Teammate+ to include a data analytics option and a demonstration of this is planned. Some of the management team has also attended a presentation on the implementation of data analytics by Wolter Kluwer, the company who provide our audit system. The London Audit Group are also providing some training in this are too which two of the Principal Client Managers will attend. We are also discussing with management the data analytic options that come with the new finance and HR system, how these will be used and our access to all data on this system. Further updates on this area will be provided.

France Channel England (FCE)

2.13 There is satisfactory progress of the Audit Authority work for the France Channel England Interreg Programme.

Other

2.14 Internal Audit's mission is to enhance and protect organisational value by following Public Sector Internal Audit Standards (PSIAS). CIPFA Services were commissioned to undertake an external quality assessment in early 2017. An independent external quality assessment of how the Public Sector Internal Audit Standards (PSIAS) are being met by us is required every five years and our next review is not due until 2022. Self-review against the PSIAS is ongoing in the meantime, and the results are reported to Audit Committee in our Annual Report.

Anti-Fraud and Corruption

2.15 NAS Anti-Fraud, Bribery and Corruption policy and Strategy continues to direct the reactive and proactive anti-fraud work undertaken. A separate report on that activity is elsewhere on this agenda.

Whistleblowing

2.16 The Chief Legal Officer and Chief Internal Auditor champion the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures on whistleblowing. A separate report on that activity is elsewhere on this agenda.

2.17 Technical notes are at Appendix D for reference.

31. Impact of the Proposal

3.1 The Accounts and Audit Regulations 2015 (as amended in 2020) require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations which are part of the Council's Constitution. Internal Audit follows appropriate standards (the PSIAS).

3.2 A sound internal audit function helps ensure that there is an independent examination, evaluation and reporting of an opinion on the adequacy and effectiveness of internal control and risk management as a contribution to the proper, economic, efficient and effective use of resources and the delivery of the County Council's Strategic Ambitions and core role as set out in the County Council's Business plan, 'Together, for Norfolk'.

3.3 The internal audit plan will be delivered within the agreed NAS resources and budget. Individual audit topics may change in year which will result in the higher risk areas being include in the plan to inform the annual audit opinion.

3.4 As a result of the delivery of the internal audit plan and audit topic coverage, the Committee, Executive Directors, Senior Officers and Managers will have assurance through our audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1 **Staff:** There are no staff implications.

7.2 **Property:** There are no property implications.

7.3 **IT:** There are not I.T. implications.

8. Other Implications

8.1 **Legal Implications:** There are no specific legal implications to consider within this report.

8.2 **Human Rights implications:** There are no specific human rights implications to consider within this report.

8.3 **Equality Impact Assessment (EqIA) (this must be included):** No implications.

8.4 **Data Protection Impact Assessments (DPIA):** There are no DPIA implications.

8.5 **Health and Safety implications (where appropriate):** There are no health and safety implications.

8.6 **Sustainability implications (where appropriate):** There are no sustainability implications.

8.7 **Any other implications:** There are no other implications.

9. Risk Implications/Assessment

9.1 Not applicable.

10. Select Committee comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary.

12. Background Papers

12.1 Internal audit strategy, our approach and 2019-20 audit plan
Internal audit terms of reference (Charter)
Section C Financial Regulations

Officer Contact

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

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If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Appendix A

Norfolk Audit Services
Final Reports Issued in the Quarter ending 30 September 2021

NOTE: This report is for audits completed to the 30 September 2021. Any audits completed up to the Audit Committee meeting will be reported verbally at the meeting.

Final Reports: - Issued in Quarter 2

2021/22 Audit Plan: -

A. Opinion Work

1. City Area Highways Team – Acceptable

Audit Objectives: -

1. To ensure there is a relevant and adequate control framework in place for the type of contract and works to mitigate the risks of the construction project going over budget and being delivered late; including project management, governance, risk management, financial control and health and safety.
2. To ensure change controls are in place to support quality.
3. To ensure compliance with the requirements of COVID 19 legislation.

2. Account Payable Care Sector – Acceptable

Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the controls in place to ensure payments made to care providers in relation to the Adult Social Care Infection Control Fund (ICF), Adult Social Care Rapid Testing Fund (RTF) and Workforce Capacity Fund for Adult Social Care (WCF) were accurate, complete and timely:
2. To confirm a consistent and approved approach was taken to the calculation of payments which followed government guidance in terms of the calculation methodology and the timing of the payments made with sufficient supporting evidence retained.

3. Bus Operators – Acceptable

Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the controls in place to deliver the objectives and goals of the Travel and Transport Services department in relation to the LTA CBSSG.

4. **Hethel Innovation Ltd (HIL) – Governance Control Assessment** – Key Issues – Amber

   Audit Objectives: -

   1. To provide assurance to the Executive Director of Finance and Commercial Services that Hethel Innovation Ltd had adequate governance controls in place during 2020-21, including the new management arrangements for Scottow Enterprise Park.

   Robust action plans are in place to address our recommendations as follows: -

   Management were asked to: -

   a) Update the Barclays online payment process immediately to include separation of duties with a separate preparer and approver for payments on the system.

   b) Continue to look into setting up payments so they can be uploaded directly from the Xero system to the Barclays system so that payments can be made in batches and reduce the need for manual entry.

   c) Review the access on Xero to identify if access rights can be limited for appropriate staff to ensure they can only approve items within their limits and ensure there is separation of duties within the Xero system, between ordering and approving orders and invoices.

   d) Undertake a review with regards to GDPR compliance with actions plans put in place to resolve and recommendations from that review.

   e) Provide staff with mandatory basic data protection training where needed to provide assurance that they are aware of their data protection responsibilities.

   f) Update the retention policy for HIL. The CEO should get assurance from senior managers that the policy is being implemented.

5. **Data Protection Impact Assessments (DPIA)** - Key Issues – Amber

   Audit Objectives: -

   1. To provide assurance that DPIA’s are completed in accordance with procedures before undertaking any project where there is potential of a high-risk impact on individuals as a result of processing their data.
   2. To give a position statement in relation to the progress with actions resulting from the SOCITM report, in relation to DPIA’s, to inform the Annual Governance Statement.

   Robust action plans are in place to address our recommendations as follows: -

   Management were asked to: -

   a) Simplify the DPIA procedure, template and supporting information, to provide more guidance and operational support to staff completing the DPIA process, potentially for the first time.

b) Include within the procedure, referred to in a) above, the need to keep records of discussions/consultations that demonstrate that the DPIA has been reviewed throughout the project and a sign off checklist that demonstrates the DPIA has been reviewed throughout the project, and referenced to evidence available to support this.

c) Include within the procedure, referred to in a) above, guidance as to who appropriate approvers of the DPIA are, and what should be provided to approvers to inform their approval decision in terms of proportionate evidence to support sign off.

d) Include within the procedure, referred to in a) above, the need to keep records of discussions/consultations that lead to key decisions relating to the level of risks, processing, retention and security of data and relevant approvals to evidence the summary detail recorded in the DPIA and a sign off checklist that demonstrates the key steps/consultations have been made and referenced to evidence is available to support them.

e) Consider recognising a role within directorates to act as Information Compliance Partners (ICP) to support complex areas such as DPIAs.

f) Consider, whilst advising Directorates of the central repository on Sharepoint for DPIAs, requesting copies of all finalised DPIAs for inclusion to support the approach that the repository will also act as a point of reference to previous copies of DPIAs which may support directorates on completing any future DPIAs.

g) Consider how DAPIAN (the digital DPIA project) can support this process once rolled out across the Council, to ensure no duplication of records and the most efficient way of meeting the requirement for a central register of DPIAs.

B. Traded Full School Audits – audits have been completed at the following schools: -

a) Drake Primary School

b) Great Dunham Primary School

c) Heartwood CE VA Primary and Nursery School

d) Roydon Primary School

e) Sheringham Woodfields School

f) South Wootton Primary School

g) St Mary's Federation

h) Taverham Junior School

i) Together Federation

j) Watlington Primary School

k) Yaxham CE VA Primary School

l) Tunstead Primary School

m) Belfry CE VA Primary School

C. <u>Norfolk Pension Fund</u>

1. No audits have reached final report stage yet.

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
The details below show the current status of audits in the 2021/22 Audit Plan.			
1. CES Third River Crossing – in progress	Corporate Risk RM024	20	Assurance on the operation of the controls in place to manage the building works to ensure that the work is delivered as expected, on time and in budget.
2. CES Bus Operators – final report issued	Service risk	20	Assurance that operating agreements are in place and are being met.
3. CES Environmental Policy – in progress	Environmenta l risk	20	Watching Brief
4. CES On Street Civil Parking Enforcement (CPE) – in progress	Service risk	20	Assurance over the adequacy and effectiveness of the controls in place to deliver the objectives and goals of the CPE Agreement
5. CES Highways Bridges Risk Management – in progress	Service risk	20	Assurance over the risk management arrangements
6. CES City Area Highways Team (CAHT) – final report issued	Service risk	20	Assurance that the CAHT team are working consistently and in the same way as the other three area teams in accordance with NCC policies, processes and systems
7. NFRS Capital Programme – not started	Service risk	20	Assurance over the identification, prioritisation and management of the capital programme.
8. ASS E-brokerage – not started	Service risk	20	Assurance that the new e-brokerage system and associated protocol is being used in practice for commissioning providers.

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
9. ASS Follow up of Transforming Care Programme 2019/20 audit Recommendations – not started	Service risk	10	Assurance that the recommendations made have been implemented.
10. ASS Discharge to Assess – not started	Service risk	20	Assurance TBA
11. CHS Thematic Audit on Cyber Security – in progress	IT risk	30	The audit will assess whether maintained schools are compliant with the minimum standards as set out in Cyber Essentials.
12. CHS Thematic Audit – TBC – not started	N/a	25	N/a
13. CHS Transformation Programme – not started	Corporate risk RM030	20	Assurance on the controls in place to ensure that the transformation programme is well governed, managed and monitored to deliver the expected benefits and savings.
14. CHS SEND Capital Programme – in progress	Corporate risk RM030	20	Assurance on the controls to deliver the capital programme on time and to budget.
15. H&S DSE Assessments – not started	H&S risk	25	Assurance that employees are complying with the requirements of this policy and that managers are monitoring compliance.
16. H&S Monitoring H&S Standards of Third-Party Providers – in progress	Corporate risk RM028	24	Assurance over the adequacy and effectiveness of the controls in place to ensure the health and safety standards of third-party providers of services are sufficiently monitored and managed by contract managers, commissioners and overall, by the Health and

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
			Safety Team and that any exceptions are identified, investigated and reported.
17. GOV Data Protection Impact Assessments – final report issued	Corporate risk RM003a	20	Assurance that controls around data protection impact assessments are adequate and effective
18. GOV Information Asset Registers – not started	Corporate risk RM003a	20	Assurance that controls around the management of the information asset register are adequate and effective
19. GOV IM Audit Data Sharing Agreements – not started	Corporate risk RM003a	20	Topic to be agreed on risk assessed basis based on implementation of the IM governance framework action plan
20. GOV Governance process for the electronic signing and sealing of documents – not started	Governance risk	20	Assurance on the process for electronic signing and sealing of documents.
21. Work to support AGS – Hethel Engineering – final report issued	Corporate risk RM013	15	Assurance that adequate governance controls were in place during 2020/21.
22. FES Direct Payments – Self Managed Accounts – not started	Financial risk	25	Assurance that controls to manage direct payments (self-managed) are adequate and effective

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
23. FES Accounts Payable – Care Sector Payments – final report issued	Financial risk	25	Assurance that adequate and effective governance and internal controls in place supporting payments during the Covid Pandemic
24. CP Repton Housing Development Company – in progress	Corporate risk RM007	20	Assurance that controls in place to govern and manage the build and sale of houses are working in practice.
25. CP Health and Safety Statutory Compliance – in progress	H&S risk	25	Assurance that the County Council has appropriate systems in place to monitor third parties who complete statutory health and safety checks on our behalf and that there is confirmation that these checks have been completed.
26. CP Data Management Systems – not started	Data quality risk	20	Assurance that our property and facilities management data management systems across the County Council are managed appropriately to enable us to provide correct information first time when requested or for statutory publication.
27. PROC Public Services (Social Value) Act 2012 & Processing Agreements – in progress	Regulatory risk (Data Protection)	15	Assurance that we have complied with the requirements of the Public Services (Social Value) Act to consider and consult regarding social value when procuring contracts above the relevant Public Contract Regulation threshold.
28. IMT Follow Up Data Centres – in progress	IT risk	15	Assurance that the recommendations made have been implemented
29. IMT Cyber Security & Data Security – offline back ups & Follow up of Third- Party Supplier and Staff	IT risk	25	Assurance TBA

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
Access – not started			
30. FIN – Risk of failure of new Human Resources and Finance system implementation - in progress	Corporate risk RM027	25	Assurance that internal controls are appropriate and working effectively
31. FES Insurance Governance Arrangements – in progress	Finance risk	15	Assurance that effective governance arrangements are in place
	Total current audit days	**639**	

Audit Name	Number of days	Explanation
The details below show the audits which have been deferred from 2021/22 Audit Plan and moved to the 2002/23 Audit Plan.		
1. CES Contract Management and Monitoring Assurance over the contract management and monitoring arrangements in place for key highways contracts.	20	On hold – the need for assurance will be monitored and considered for inclusion in the 2022/23 Audit Plan
2. Equality, Diversity and Inclusion	20	On hold – the need for assurance will be monitored and considered for inclusion in the 2022/23 Audit Plan
3. CES Governance of Major Project Developments Assurance that the governance arrangements during the early stage of project development, especially in relation to the costs, are adequate and effective.	20	Deferred until 2022/23 Audit Plan as a new framework for project management is being developed for implementation later in 2021.
4. ASS Shared Care Protocols Assurance that the shared care protocols for mental health are working in practice.	20	Deferred until 2022/23 Audit Plan as there is much cross over with Continuing Health Care audit; therefore, these two audits will be combined.
5. ASS Continuing Health Care Assurance that we are following policy and complying with Care Act requirements.	20	Deferred until 2022/23 Audit Plan as new procedures are being implemented and this audit will be combined with the Shared Care Protocols audit
6. H&S Lone working A review of the lone working risk assessments for front line workers and whether they continue to be valid under the new ways of working.	15	Deferred until 2022/23 Audit Plan
7. Risk of ASS Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services – in progress Corporate risk RM023	5	Deferred until 2022/23 Audit Plan Due to change in Government legislation, this risk is to be reviewed and audit work for the new

Audit Name	Number of days	Explanation
		risk will be considered in next year's Audit Plan.
8. H&S Risk of any failure to monitor and manage health and safety standards of third-party providers of services. Corporate risk RM028	5	The work for this risk has now become an audit in the Audit Plan
9. HR NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term. Corporate risk RM029	5	Deferred until 2022/23 Audit Plan Risk mitigations are in their earlier stages and this risk will be considered for review as part of the 2022/23 Audit Plan during audit planning.
10. GOV Compliance with data security (GDPR) Home working Assurance that controls to manage data security requirements whilst the majority of staff are home working are adequate and effective	20	Deferred until 2022/23 Audit Plan whilst new arrangements are being put in place and embedded
11. FES Finance Assessments	20	Deferred until 2022/23 Audit Plan
12. PROC Legal challenge to procurement exercise. Corporate risk RM026	5	Deferred until 2022/23 Audit Plan
13. IMT Compliance with Application Standards Healthcheck Assurance that business units are complying with the standards set for the use of applications.	20	Deferred until 2022/23 Audit Plan
14. STRAT Smarter Working and Use of Data Assurance that data analytics work across NCC is undertaken in line with policy and procedure, by the right people and at the right time	25	On hold – the need for assurance will be monitored and considered for inclusion in the 2022/23 Audit Plan
15. STRAT Service level business planning (and decision making) Assurance that the service level business planning process within departments is robust, assured and follows best practice	25	On hold – the need for assurance will be monitored and considered for inclusion in the 2022/23 Audit Plan

Audit Name	Number of days	Explanation
to develop service strategies across the directorates		
Total audit days deferred to 2022/23 Audit Plan	**245**	
The details below show the audits that have been cancelled from the 2021/22 Audit Plan.		
1. IMT Failure to comply with relevant information security requirements. There is a risk of failing to comply with relevant information security requirements (e.g. NIS, PSN, PCI-DSS) which could lead to reputational damage and financial impact. Corporate risk RM003b	5	Cancelled – assurance no longer required. IMT have external bodies who accredit them for these designations. We will follow up that any actions set by them have been completed as part of the Cyber Security audit in Q4
2. PROC VFM - Facilities Management Contracts (Norse) Assurance that value for money has been achieved for Facilities Management contracts.	20	Cancelled – assurance no longer required
3. FES Payroll Online Functions Assurance that controls to manage the online payroll functions are adequate and effective	20	Cancelled – assurance no longer required as the new Oracle system will be in place in November 2021
4. HR PDPs Assurance that quality performance development plans (PDP) are being developed with staff and in accordance with NCC guidance, goals are linked to the Department's / Team's goals as per their Plan on a Page, training and development needs are being cascaded to Learning Plans and staff are actioning their learning and Oracle is an accurate picture of the written goals agreed.	20	Cancelled – assurance no longer required.
5. HR Implications of Brexit for Council staff and services. Corporate risk RM022a	5	Cancelled Risk has been amended and is now RM022b and will be considered for review as part of the 2022/23 Audit Plan during audit planning.

Audit Name	Number of days	Explanation
6. ASS Emerging Integrated Care Systems – governance arrangements Assurance on the governance arrangements in place.	20	Cancelled – assurance no longer required due to arrangements moving forward quicker than expected
7. HR audit TBC	25	Days not needed for another HR audit
Total audit days cancelled in the 2021/22 Audit Plan	**115**	

KEY: -
ASS – Adult Social Services
CHS – Children's Services
CES – Community and Environmental Services
FES – Financial Exchequer Services
FIN – Finance
CP – Corporate Property
Proc – Procurement
H&S – Health, Safety and Wellbeing
HR – Human Resources & Organisational Development
GOV – Governance Department
SRAT – Strategy and Transformation
IMT – Information Management Technology

Appendix C

Grants certified up to quarter ending 30 September 2021

LGA	EU	Other
Fire (June 21)	Endure (P/e June 21)	Norse (P/e March 21)
Transforming Care (June 21)	Endure OTS	Family Focus (P/e Jun 21)
CES (September 21)	CATCH (P/e July 21)	Family Focus (P/e Sep 21)
LA Bus subsidy (September 21)	FACET (P/e May 21)	Police & Crime Panel (P/e March 21)
Disabled Facilities Grant (September 21)	Mobi-Mix (P/e May 21)	Local Full Fibre Network (Claim 6 Qtr 4 2020-21)
Travel Demand Management (April 21)	Monument (P/e May 21)	Local Full Fibre Network (Claim 7 Qtr 1 2021-22)
Emergency Active Travel Fund Grant (Capital) (July 21)	Catch OTS	Sheringham Primary National Teaching School – Emergency Fund
	PROWAD (P/e August 21)	BDUK Qtr 4 (2019-20), Qtr 2 (2020-21) and Qtr 4 (2020-21
		Police & Crime Panel (P/e August 21)

Appendix D

Technical Notes

Work to support the opinion

Our work contributes to the Local Service Strategy (page 5) and the Finance and Commercial Services Department functions for Finance and Risk Management (page 7). Internal Audit's role is described on page 12 of that plan.

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

- Final reports issued in the period (**Appendix A**)
- The results of any follow up audits
- The results of other work carried out by Norfolk Audit Services; and
- The corporate significance of the reports

Audits of Note

No audits of note were completed during the period.

Corporate High Priority Findings

The progress with resolving the Corporate High Priority Findings is acceptable. A more robust process has been put into place to ensure NAS undertake follow up audit work on Corporate High Priority Findings which should result in speedier sign off of these. Previously reliance was placed on departmental owner's confirmation that satisfactory action has been taken.

Audit Committee

Item No 10

Report title:	**Norfolk Audit Services' Terms of Reference (Charter) and Code of Ethics 2020/21**
Date of meeting:	**14 October 2021**
Responsible Cabinet Member:	**N/A**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services**
Is this a key decision?	**No**

Executive Summary

The purpose of this report is to present the revised Terms of Reference for NAS (Charter) and the Code of Ethics following review, in accordance with the model of the Chartered Institute of Internal Auditors (CIIA). A full review was undertaken, and no changes are proposed. These Terms of Reference and the Code of Ethics are compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) 2013 and the Local Authority Guidance Note of April 2013 and other regulatory requirements and best practice (see background and purpose). The last such report was presented at the Audit Committee meeting in April 2019. Due to prioritising work to the Covid response no report was prepared in 2020.

Recommendations

The Audit Committee are asked to consider and agree the NAS Terms of Reference (Charter) as set out in **Appendix A**, and the Code of Ethics as set out in **Appendix B** of this report.

1. Background and Purpose

The UK Public Sector Internal Audit Standards (UK PSIAS) requires that the purpose, authority and responsibility of the internal audit activity must be formally defined by the Council in an audit charter (UK PSIAS standard 1000), for Norfolk County Council this document is the NAS Terms of Reference. Part I of the Terms of Reference refers to Norfolk County Council (NCC).

The development of an FCE Audit function within the NAS Internal Audit Team was approved by Cabinet on 10 June 2013, as part of its approval for ETD to present a bid to act as Managing Authority for the FCE programme 2014-20. The approved proposal provided for other programme authorities to be set up within existing NCC services (namely Finance and NAS). It is anticipated that the FCE Audit function will be required to be in existence until the end of 2025.

European Commission guidelines require that the Audit Authority mandate is documented in an audit charter when the mandate is not already set out in national legislation. Where an audit charter exists for the audit function, the Audit Authority mandate should be incorporated. This contributes to the independence of the Authority. Part II of the Internal Audit Terms of Reference (Charter) refers to the Interreg VA France Channel England Programme (FCE) Audit Authority.

The Code of Ethics is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. The main principles are integrity, objectivity, competence, confidentiality. The purpose of the Code is to promote an ethical culture.

The current Code of Ethics for NAS appears at **Appendix B** and is applicable to all staff employed by the NAS Internal Audit Team, whether they are deployed on internal audit activities or EU audit activities. This continues to be based on best practice, the Nolan Principles of Public Life and the CIPFA publication "Code of Ethics for Professional Accountants" (2011) which is compatible with the CIIA's Code of Ethics.

2. Proposals

The Audit Committee are recommended to consider and agree the NAS Terms of Reference (Charter) as set out in **Appendix A**, and the Code of Ethics as set out in **Appendix B** of this report.

3. Impact of the Proposal

The Accounts and Audit Regulations 2015 (as amended in 2020) require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations, which are part of the Council's Constitution. Internal Audit follows appropriate standards (the PSIAS).

The work of the internal audit team, NAS, is defined by the Council in an audit charter (UK PSIAS standard 1000), for Norfolk County Council this document is the NAS Terms of Reference.

The Code of Ethics is applicable to all staff employed in the NAS Internal Audit Team, whether they are deployed on internal audit activities or EU audit activities. For members of professional bodies, breaches of the Body's Code of Ethics would be evaluated and administered according to the Body's disciplinary procedures.

4. Evidence and Reasons for Decision

Not applicable

5. Alternative Options

There are no alternative options

6. Financial Implications

The expenditure to deliver the services outlined in the NAS terms of reference falls within the parameters of the Annual Budget agreed by the Council.

Expenditure incurred in the delivery of the FCE Audit function is recoverable from the European Commission under the terms of the Technical Assistance budget, provided the expenditure is in line with EU eligibility rules and satisfactory evidence of compliance has been retained.

7. Resource Implications

7.1 Staff:
None.

7.2 Property:
None.

7.3 IT:
None.

8. Other Implications

8.1 Legal Implications:
None.

8.2 Human Rights implications:
None.

8.3 Equality Impact Assessment (EqIA) (this must be included)

Not required.

8.4 Data Protection Impact Assessments (DPIA)

Not required.

8.5 Health and Safety Implications: (where appropriate)

None.

8.6 Sustainability Implications (where appropriate)

None.

9. Risk Implications/Assessment

None.

10. Select Committee Comments

Not Applicable.

11. Recommendation

As above.

Background Papers

None.

Officer Contact

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

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Tel No: **01603 222784**
Email address: **Adrian.thompson@norfolk.gov.uk**

Terms of Reference (Charter) for Norfolk Audit Services

1. PURPOSE AND MISSION

1.1 The purpose of Norfolk County Council's internal audit department, Norfolk Audit Services (NAS) is to provide independent, objective assurance and consulting activity designed to add value and improve the County Council's ('the Council') operations.

1.2 The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. NAS helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2. STANDARDS FOR THE PROFESSSIONAL PRACTICE OF INTERNAL AUDITING

2.1 NAS will govern itself by adherence to the mandatory elements of the Chartered Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Chief Internal Auditor will report periodically to relevant senior management and the Audit Committee regarding NAS's conformance to the Code of Ethics and the Standards.

3. AUTHORITY

3.1 NAS forms part of the Finance and Commercial Services Directorate. The Chief Internal Auditor reports functionally to the Audit Committee and administratively (i.e. day to day operations) to the Section 151 Officer (Executive Director of Finance and Commercial Services).

3.2 To establish, maintain, and assure that NAS has sufficient authority to fulfil its duties, the Audit Committee will: -

- Approve NAS's terms of reference.
- Approve the risk-based internal audit plan.
- Ensure NAS's budget and resource plan is sufficient.
- Receive communications from the Chief Internal Auditor on NAS's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Chief Internal Auditor
- Make appropriate inquiries of management and the Chief Internal Auditor to determine whether there is inappropriate scope or resource limitations.

3.3 The Chief Internal Auditor will have unrestricted access to, and communicate and interact directly with, the Audit Committee including in private meetings without management present. This is completed quarterly at the pre-agenda meeting.

3.4 The Audit Committee authorises NAS to: -

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Council as well as other specialised services from within or outside the Council in order to complete the engagement.

4. INDEPENDENCE AND OBJECTIVITY

4.1 The Chief Internal Auditor will ensure that NAS remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If it is determined that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

4.2. Independence and objectivity will be preserved by ensuring that all members of staff in NAS maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

4.3 Staff members in NAS will have no direct operational responsibility or authority over any of the activities audited. Accordingly, staff members in NAS will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous two years.
- Performing any operational duties for the Council or its affiliates.
- Initiating or approving transactions external to NAS.
- Directing the activities of any Council employee not employed by NAS except to the extent that such employees have been appropriately assigned to NAS or to otherwise assist NAS.

4.4 Staff members in NAS are responsible for: -

- Disclosing any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibiting professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Making balanced assessments of all available and relevant facts and circumstances.
- Taking necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

4.5 The Chief Internal Auditor will confirm to the Audit Committee at least annually, the organisational independence of NAS in its Annual Report.

4.6 The Chief Internal Auditor will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

4.7 The Chief Internal Auditor has roles and responsibilities that fall outside internal auditing (Corporate Risk Management, the Council's Whistleblowing Policy, Deputy Money Laundering Officer and is the Head of the FCE Audit Authority); therefore, safeguards have been established to limit impairments to independence and objectivity as follows: -.

- The Council has a qualified Risk Management Officer.
- The function undertakes nationally recognised benchmarking and reports this to the Committee.
- The Executive Director of Finance and Commercial Services has overall responsibility and reports to the Committee quarterly and annually.
- The External Auditors review the AGS which includes the effectiveness of risk management.
- External reviews of the Risk Management Framework are undertaken.

5. RESPONSIBILITY

5.1 The Chief Internal Auditor has responsibility to: -

- Submit annually to senior management, and the Audit Committee a risk-based Internal Audit Plan for review and approval, along with a second half of the year refresh of the Plan.
- Communicate to relevant senior management and the Audit Committee the impact of resource limitations on the Internal Audit Plan.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems and controls.
- Communicate to relevant senior management and the Audit Committee any significant interim changes to the Internal Audit Plan.
- Ensure each audit of the Internal Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on audit findings and corrective actions, in accordance with NAS's procedures, and report periodically to relevant senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the NAS Team collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this Terms of Reference (Charter).
- Ensure trends and emerging issues that could impact the Council are considered and communicated to relevant senior management and the Audit Committee as appropriate.

- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide NAS.
- Ensure adherence to the Council's relevant policies and procedures, unless such policies and procedures conflict with these terms of reference. Any such conflicts will be resolved or otherwise communicated to relevant senior management and the Audit Committee.
- Ensure conformance of NAS with the Standards, with the following qualifications:-

  (i) If NAS is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Internal Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

  (ii) If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Chief Internal Auditor will ensure that NAS conforms with the Standards, even if NAS also conforms with the more restrictive requirements of other authoritative bodies.

6. SCOPE OF INTERNAL AUDIT ACTIVITIES

6.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations (England) 2015, which state in respect of Internal Audit that: -

- (Part 2 section: 5) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit: make available such documents and records; and supply such information and explanations; as are considered necessary by those conducting the internal audit.

- (Part 2 section 6) A relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3; and prepare an annual governance statement. If the relevant authority is a Category 1 authority (which NCC is), then following the review, it must consider the findings of the review by a committee; or by members of the authority meeting as a whole; and approve the annual governance statement by resolution of a committee; or members of the authority meeting as a whole.

6.2 The statutory role is recognised and endorsed within the Council's Financial Regulations (Section C, Risk Management and Control of Resources), which provide the authority for NAS's access to officers, members, premises, assets, documents and records and to require information and explanation as necessary. These rights of access also extend to partner organisations.

6.3 The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Council. Internal audit assessments include evaluating whether: -

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.

- The actions of the Council's officers, directors, employees, and contractors are in compliance with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

6.4 NAS also performs grant certification work for the Council and traded full audits for Local Authority maintained schools.

6.5 The Chief Internal Auditor will report periodically to relevant senior management and the Audit Committee regarding: -

- NAS's purpose, authority, and responsibility.
- Performance against the Council's Internal Audit Plan.
- The NAS's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Council.

6.6 The Chief Internal Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

7. CONSULTANCY OR ADVISORY REVIEWS

7.1 NAS may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided NAS does not assume management responsibility.

7.2 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

7.3 Where a significant consultancy or advisory service is required, either within or external to the Council, approval will be sought from the Audit Committee.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

8.1 NAS will maintain a quality assurance and improvement programme that covers all aspects of NAS's internal audit activity. The programme will include an evaluation of NAS's conformance with the Standards and an evaluation of whether auditors apply the IIA's Code of Ethics. The programme will also assess the efficiency and effectiveness of NAS's internal audit activity and identify opportunities for improvement.

8.2 The Chief Internal Auditor will communicate to relevant senior management and the Audit Committee on NAS's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.

9. FRAUD AND CORRUPTION

9.1 The Anti-Fraud and Corruption Strategy 2017-2019 was endorsed by the Audit Committee at the September 2017 meeting. The Strategy sets out the responsibilities of the various parties and falls in line with 'Fighting Fraud and Corruption Locally', the local government fraud and corruption strategy 2016-2019. These include, amongst other things, that the promotion of and revision to the Strategy lies with the Monitoring Officer (Chief Legal Officer), advised by the Chief Internal Auditor. Managing the risk of fraud and corruption is the responsibility of Chief Officers; Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal Audit may be requested by management to assist with fraud related work. An investigative Auditor has this designated responsibility within the team, supported on an ad-hoc basis by other members of the team. A training programme to develop fraud investigatory skills within the team is included within the development plans.

9.2 The Chief Internal Auditor advises Chief Officers on fraud and corruption issues.

9.3 The Chief Internal Auditor has made arrangements to be informed of all suspected or detected fraud, corruption or improprieties so that he can determine if an investigation needs to take place, consider the adequacy of the relevant controls, and evaluate the implications for the opinion on the internal control environment.

10. RELATED DOCUMENTS

10.1 This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents include: -

Anti-Fraud and Corruption Strategy
Whistle-Blowing Policy
Code of Conduct for Members and Co-opted Members
Officers Code of Conduct.
Anti-Money Laundering

PART II: THE INTERREG VA FRANCE CHANNEL ENGLAND PROGRAMME AUDIT AUTHORITY – TERMS OF REFERENCE (CHARTER)

1. Primary Role

1.1. European Union regulations require that Member States must have in place a designated Audit Authority for all European Structural & Investment Funds. Norfolk Audit Services is the designated Audit Authority ('the Authority') for the Interreg V France (Channel) England programme. Interreg programmes are a specific type of European Structural & Investment Fund, falling under the European Regional Development Fund (ERDF) and more specifically the European Territorial Cooperation (ETC) programme.

1.2. Norfolk Audit Services was also designated Independent Audit Body for the purpose of the designation of the other programming bodies. The work of Norfolk Audit Services as Independent Audit Body is now completed.

1.3. The Authority's primary role is:

- To seek to provide assurance to the programme national authorities[1] and the European Commission that the FCE programme is delivered in compliance with the regulatory requirements of the European Union in relation to the delivery of ETC programmes and with national regulatory requirements.

1.4. In the course of its work, the Authority is required to audit

(i) operations co-funded by the FCE programme and

(ii) the management and control systems set up in the Certifying Authority (Norfolk County Council – Finance) and the Managing Authorities (Norfolk County Council – Economic Development).

1.5. In order to provide good quality, fair and balanced reports, the Authority performs audits in accordance with applicable EU regulations and in accordance with internationally accepted auditing standards, as specified in the FCE Audit Strategy.

2. Authority

2.1. The Authority derives its authority from formal designation by the then Department for Communities and Local Government (DCLG) now MHCLG. Formal confirmation has been received from both Member States that Norfolk Audit Services will have authority to carry out directly the functions of the Audit Authority in the whole of the territory covered by the cooperation programme. Modality for Member State representatives to accompany FCE auditors on audit missions[2] were established as part of the Rules of Procedure agreed by the Consultative Audit Group on 20 April 2016.

[1] Each Member State participating in the cooperation programme appoints national authorities, to which the various programming bodies are accountable. The national authorities with regards to the audit activities is functionally independent from the national authorities working with the MA and the CA.

[2] It is a provision within the Common Provision Regulations that the Member States may request for their representatives to be present during audit missions on their own territory.

2.2. The Department for Business, Energy & Industrial Strategy (BEIS) is responsible for ensuring that the Audit Authority is and remains fit for purpose, ie that it maintains its functional independence from the Managing Authority, Certifying Authority and project beneficiaries, is effective and has sufficient experience and resources. <u>In practice, BEIS is relying on the Ministry of Housing, Communities and Local Government (MHCLG) to exercise this role, in its capacity as UK National Authority for the programme. MHCLG has a representative at the Consultative Audit Group.</u>

2.3. In performing its activities, the Authority will have access to all people, records, information, systems and property deemed necessary, within the programming authorities and with each and every partner involved in the delivery of the cooperation programme. The Authority has been granted "read-only" access to the data and information held by the Managing Authority both in its information system and held on shared servers. The same access is in place with regards to the Certifying Authority data held on information systems. An agreement is in place that data held outside of shared information systems will be made available upon request.

2.4. All information requests should be dealt with promptly and truthfully by other parties. Should there be any perceived attempt to hinder the performance of the Authority's duties, this would be communicated to:

- The Managing Authority, where information has been requested from a project partner
- The internal FCE programme board[3] in a first instance, with escalation to the Ministry of Housing, Communities and Local Government and the Government Internal Audit Agency (in their capacity as British National Authorities for the MA and AA respectively), where information has been requested from a programming authority.

3. Independence and objectivity

3.1. To ensure its independence, the authority functions under the direct responsibility of the Council's Section 151 Officer (Executive Director for Finance and Commercial Services) with oversight from the Audit Committee. The Audit Authority is functionally independent from the Managing Authority (Norfolk County Council – Economic Development), the Certifying Authority (Norfolk County Council – Budgeting and Accounting within Finance) and the Beneficiary Bodies involved in any FCE co-financed operations.

3.2. Although the Audit Authority will feed into Norfolk County Council's internal governance arrangements through the provision of progress and performance update, the Audit Authority will in effect be accountable to the national designating body in the UK (BEIS) and to the European Commission.

3.3. The Authority is therefore functionally independent of the activities that it audits. Moreover, it has sole responsibility for the planning and selection of expenditure/operations to be audited and the manner in which the audits are conducted.

[3] The NCC internal FCE programme board is composed of Chief Officers and provide internal governance for the delivery of the MA, CA and AA functions.

3.4. Upon request of a national authority, the Authority's staff may be accompanied by an auditor from the national authority. An expectation of independence will also be placed on that member of staff.

3.5. The Authority may, if deemed appropriate by the Chief Internal Auditor and the Audit Committee, or if requested by management, advise on financial control and audit issues or review systems under development without prejudicing its right to subsequently audit such systems.

3.6. All members of staff working for the Authority have a duty to abide by the Internal and Interreg FCE Audit Code of Ethics (Appendix B). The requirement for professional independence underpins the first two pillars of the internal code, namely integrity and objectivity. Staff are expected to complete annual declaration of interest, in order to detect and manage any potential conflict of interest with auditees.

4. Responsibilities

4.1. The specific role and responsibilities of the Authority are determined by European Union Regulations and Guidelines for the Structural Funds. The key roles may be summarised as follows:

- Produce a report for the benefit of the then DCLG, including an opinion on the management and control systems set up by the Managing and Certifying Authorities, based on the descriptions provided, which will form the basis of their formal designation as programme authorities. This work must be undertaken prior to any claim for interim payment from the European Commission being submitted.

- Prepare, and update as necessary, an audit strategy in consultation with the National Authorities representatives on the Consultative Audit Group. The audit strategy will be submitted to the European Commission, upon request (in line with Article 127 (4) of EU Regulations 1303/2013).

- Prepare and deliver an annual audit plan, as discussed with National Authorities representatives on the Consultative Audit Group. Ensure the audit plan enables compliance with requirements as stated in EU regulation and complimentary guidance.

- Submit to the Commission an annual control report (ACR) setting out the findings of audits carried out during the audit year, with regards to audits of operations detailed expenditure, systems audits and follow up work on previous recommendations.

- Issue an annual audit opinion, on the basis of audits carried out, as to whether the management and control systems functioned effectively so as to provide reasonable assurance that statements of expenditure presented to the Commission are correct and, as a consequence, reasonable assurance that the underlying transactions are legal and regular.

- Submit to the Commission a winding up declaration in respect of the FCE programme before the statutory date for closure.

5. Relationship with other audit functions

5.1. The Authority will be assisted by a Consultative Audit Group, which will be composed of competent and independent representatives of the National Authorities. The Consultative Audit Group will provide the National Authorities with a channel to influence the audit strategy and audit plan, to ensure specificities of their respective territories and needs are adequately met, whilst ensuring compliance with the relevant EU regulations and associated guidance.

5.2. The Authority will provide a progress update to the Norfolk County Council's Audit Committee for information. The update will focus on summarising activity undertaken against expectations from the regulations and/ or the audit plan, to confirm satisfactory progress is being achieved.

5.3. The Authority shall liaise with the Audit Service of the European Commission in the Directorate General for Regional and Urban Policy (DG Regio) and submit all required documents, including the annual audit plans and an annual control report and annual audit opinion as outlined at 4 above.

5.4. If requested, the Authority will co-operate with audit missions by the European Commission Audit Services or the European Court of Auditors, either in the provision of information or advice in relation to financial control and audit procedures relating to the FCE programme or by participating in joint missions if appropriate.

5.5. Through the use of national public procurement procedures, the Authority will engage the use of private sector audit firms for audit activities on the French territory, specialist work or during particularly busy periods.

6. Reporting Arrangements

6.1. The Authority must be functionally independent from the MA and the CA and the Authority should report to a hierarchical level different than the MA's and CA's reporting levels. This enables the Audit Authority to be part of the same public authority or body (e.g. a ministry) together with the MA and/or the CA, provided that the principle of separation of functions is respected.

6.2. The Audit Authority is headed by a tier 3 manager, whereas the Managing and Certifying Authorities are both headed by a tier 4 manager.

6.3. The Head of Authority will have direct access to the Executive Director of Finance and Commercial Services (Section 151 Officer) and Audit Committee and will report on administrative and budgetary matters to the Executive Director of Finance and Commercial Services.

6.4. The Head of Authority shall fully engage with internal governance arrangements within Norfolk County Council and report quarterly to the Audit Committee and to the Section 151 Officer and six monthly to the internal FCE Programme Board in relation to progress on its audit strategy and work programme. Failure to complete annual audit programmes may lead to financial correction and reduction in the drawdown of Structural Funds.

6.5. The Authority shall consult national authorities representatives on the Annual Control Report and Audit Opinion, prior to submission to the European Commission.

6.6. The Authority shall notify the MA and the internal FCE programme board of any risks to the drawdown of ERDF Structural Funds arising from its regulatory audits of ETC expenditure, the audits of systems in the Certifying Authority and Managing Authorities and audit work in relation to the annual partial closure of accounts. Where unresolved, unmitigated risks will be identified in the Annual Control Report, which will be shared with the Consultative Audit Group for consultation and with Programme Monitoring Committee by the MA for information.

6.7. Individual audit reports will be shared by the AA with the relevant national authority representative prior to finalisation and will be shared by the MA with the Programme Monitoring Committee (or appointed sub-committee) for information once finalised.

6.8. The Authority will submit a Winding Up Report to the European Commission at the end of the 2014-20 programming period, on the closure of the FCE ETC programme and inform the Audit Committee of any risks arising from closure which would affect the drawdown of ERDF Funds.

APPROVAL

Cllr. Ian Mackie
Chairman of the Audit Committee ……………………………………..

Simon George
Executive Director of Finance
and Commercial Services and
Section 151 Officer ……………………………………..

Adrian Thompson
Assistant Director of Finance (Audit) (Chief Internal Auditor)
and Head of the Audit Authority ……………………………………..

Date……………………………………

Norfolk County Council
Internal Audit and Interreg VA France Channel England Programme Audit Authority – Code of Ethics

Introduction

A Code of Ethics is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. Its purpose is to promote an ethical culture.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance.

This code is complementary to and should be read in conjunction with the CIPFA "Ethics and You" A Guide to the CIPFA Standard of Professional Practice on Ethics (June 2011). This code is compatible with the principles in the CIIA's Code of Ethics.

The Code of Ethics is based on five pillars and the Nolan Principles (Standards in Public Life).

1. **Integrity,**
2. **Objectivity,**
3. **Confidentiality,**
4. **Competency, and**
5. **Professional Behaviour.**

The Five Pillars

1. Integrity

The integrity of internal auditors is founded upon trust and thus provides the basis for reliance on their judgement. Internal auditors will never use their authority or office for personal gain. They will seek to uphold and enhance the standing of the profession. Internal auditors will maintain an unimpeachable standard of integrity in all their business relationships both inside and outside the organisations in which they are employed. They will reject any business practice, which might reasonably be deemed improper.

Internal auditors:

1.1. Will perform their work with honesty, diligence, and responsibility.
1.2. Will observe the law and make disclosures expected by the law and the profession.
1.3. Will not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation or themselves in their professional capacity. The fact that an action is legal does not necessarily mean that it is ethical.
1.4. Will declare any personal interest, which may impinge or might reasonably be deemed by others to impinge on impartiality in any matter relevant to his or her duties.
1.5. Will respect and contribute to the legitimate and ethical objectives of the organisation.
1.6. Will be trustworthy, truthful and honest. They should also promote and support these fundamental principles by leadership and example.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Internal auditors:

2.1. Will not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
2.2 Will not accept anything that may impair or be presumed to impair their professional judgement
2.3 Will disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review or distort their reports or conceal unlawful practice.
2.4. Will at all times maintain their professional independence. They must be fair and must not allow prejudice or bias, conflict of interest or the influence of others to override their judgement and actions.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not hold or disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Internal auditors:

3.1 Will be prudent in the use and protection of information acquired in the course of their duties.
3.2 Will not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.
3.3. Will respect the proper confidentiality of information acquired during the course of performing professional services: information given in the course of duty should be true and fair and never designed to mislead
3.4. Will not use or disclose any such information without specific authority unless there is a legal or professional right or duty of disclosure.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services. Internal auditors foster the highest possible standards of professional competence amongst those for whom they are responsible optimising the use of resources for which they are responsible to provide the maximum benefit to their employing organisation.

Internal auditors:

4.1. Will engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2 Will continually improve their proficiency and the effectiveness and quality of their services.

4.3. Will perform professional services with due care, competence and diligence, and have a continuing duty to maintain their professional knowledge and skill at a level required to ensure that an employer or client receives the advantage of a competent professional service based on up-to-date developments in practice, legislation and techniques.

4.4. Will carry out professional services in accordance with the relevant technical and professional standards.

5. Professional Behaviour

Internal auditors comply with standards and laws and must not bring the reputation of the profession into disrepute in their behaviour and actions.

Internal auditors:

5.1 will behave in a professional manner both during their day to day work and activities outside of work.

Nolan Principles

The Nolan principles cover all of the same areas as the Five Pillars (above), but additionally include the following:

6. Selflessness

Holders of public office should act solely in terms of the public interest.
Internal auditors: -

6.1 Will not perform work which leads to personal gain

6.2 Will perform work to assess the efficiency and effectiveness of current working practices within the Council

7. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or Bias.

Internal auditors:

7.1 Will base their opinion on evidence seen and testing performed during the audit work.

8. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Internal auditors:

8.1 Will produce audit files to back up conclusions reached during the audit process.

8.2 Will ensure there is an adequate review process in place to quality control the work carried out.

9. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Internal auditors:

9.1 Will report on completed audit topics for each individual NCC audit at the quarterly Audit Committee meeting.
9.2 Will provide more information about audits with corporate significant concerns to the County Leadership Team and Members.
9.3 Will report progress on corporately significant high priority findings to the Audit Committee.

10. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Internal auditors:

10.1. Will exhibit the above behaviours in their own behaviour.
10.2. Will actively promote and support the principles
10.3. Will challenge and report poor behaviour when identified.

IN TRAN communication for all

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Report to Audit Committee

Item No 11

Report title:	**Yearly Update of the Audit Committee**
Date of meeting:	**14 October 2021**
Responsible Cabinet Member:	**N/A**
Responsible Director:	**Executive Director of Finance and Commercial Services**
Is this a key decision?	**No**

Executive Summary

This report, which summarises the work of the Audit Committee from the 1 April 2019 to 31 March 2021, confirms that during 2019-2021 its function has been consistent with best practice, demonstrates the impact of its work and explains how it adds value. Its work is reported to full Council. The Committee has demonstrated its effectiveness.

Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

The conclusion drawn from a CIPFA Self-assessment tool is that there is clear evidence that the Audit Committee has a high degree of performance against the good practice principles set out in CIPFA's position statement and the above guidance.

There are some areas where improvements could be considered and made, which are set out in this report's recommendations.

Recommendations

The Audit Committee are asked to consider and agree that the arrangements are satisfactory and note that the Committee has terms of reference which are consistent with guidance and best practice, subject to further strengthening by:

- including in the Committee's Terms of Reference (as consequential changes) these roles from the CIPFA position statement:
  - considering the effectiveness of arrangements and the control environment and risk related issues in relation to partnerships and collaborations with other organisations
  - monitoring the effectiveness of the control environment, including arrangements for ensuring value for money and supporting standards and ethics
  - supporting standards and ethics arrangements

- considering a future report on the CIPFA's position statement for 'wider roles' and agree if there are any actions that need to be taken
- receiving updates on regulations and guidance concerning independent members and, if required, consider any such requirement
- considering a future report on the CIPFA 'assessment tool – evaluating effectiveness'.

1. Background and Purpose

1.1. The Council is required under the Accounts and Audit Regulations (England) 2015 to make provision for internal audit in accordance with "proper practices in relation to internal control". CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards 2017 (the Standards) which originally came into force on 1 April 2013 and replaced the CIPFA Code of Practice. CIPFA, in collaboration with the CIIA, also published in March 2016 the revised Local Authority Guidance Note (LAGN) for the Standards. CIPFA has published Audit Committees – Practical Guidance for Local Authorities and Police (2018 Edition), which was issued to Committee members in August 2018. The guidance includes CIPFA's Position Statement, 'Self-assessment of good practice' and 'Evaluating the effectiveness of the Audit Committee' tools.

1.2. The Audit Committee was established in 2005; it

- reports directly to full Council and
- has seven members.

1.3. 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

As part of good practice and in accordance with its Terms of Reference (part I3), this report summarises the work of the Committee for the period ended March 2021. This report also confirms that the Committee's function is consistent with best practice, demonstrates the impact of its work and how it adds value.

1.4. 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.

1.5. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.

2. Proposals

2.1 The last such report was presented at the Audit Committee meeting in April 2019. Due to prioritising work to the Covid response no report was prepared in 2020. This report covers the period 1 April 2019 to 31 March 2021. This report also confirms that the Committee's Terms of Reference, purpose and core functions are consistent with best practice, subject to further strengthening by including in the Committee's Terms of Reference (as consequential changes) these roles from the CIPFA position statement:

  - the effectiveness of arrangements and the control environment and risk related issues in relation to partnerships and collaborations with other organisations
  - monitoring the effectiveness of the control environment, including arrangements

for ensuring value for money and supporting standards and ethics

- supporting standards and ethics

2.2 The Committee's demonstrates the impact of its work and how it adds value by:

- o Supporting the Council's objectives in achieving a reputation for good governance, sound internal control and good value for money; and

- o Reducing the potential cost burden and operational disruption when risks, internal control weaknesses, frauds or corruption are avoided or mitigated.

2.3 Reports have been received from the Executive Director of Finance and Commercial Services, the then Chief Legal Officer (now Director of Governance) and the External Auditors. An Annual Internal Audit Report (Norfolk Audit Services Annual Internal Audit Report 2020-21, at Page 44), explained what action has been taken during the year regarding internal controls and risk management. The Committee received an Annual report (Monitoring Officer Annual Report 2020-21 (page 163) from the Council's Director of Governance, reporting on the areas of governance that they are responsible for and giving assurances. Other reports were commissioned by the Committee covering a wide range of topics.

2.4 The Committee has received and considered the reports of the External Auditor. Those include their plans and reporting on their audit of the annual accounts. There have been no additional (public interest) reports during the year.

2.5 The Committee has considered and agreed reports on the work of the Internal Audit Team (Norfolk Audit Services). Those reports included the plans and reporting on their audits/work and opinions during the year and Anti-Fraud Activity. An example is the Norfolk Audit Services quarterly report (Norfolk Audit Services Quarterly Report for quarter ended 30 September 2020 (page 326).

2.6 As mentioned above, CIPFA has published Audit Committees – Practical Guidance for Local Authorities and Police (2018 Edition), which was issued to Committee members in August 2018. That guidance includes 'Self-assessment of good practice'. That tool was deployed and the results are set out in **Appendix A,** by exception. The 'Evaluating the effectiveness of the Audit Committee' tool would benefit from more time, for member input, therefore the results should be presented to a future committee.

2.7 The Committee promotes the principles of good governance and their application to decision making. It has challenged, scrutinised, championed its functions and provided oversight in accordance with its Terms of Reference. The Committee takes proactive steps to identify topics and issues where it requires more information or would like to make recommendations. No specific topical reports were commissioned in 2020-21. During the year the Committee:

- Received officer training on reviewing the Statement of Accounts and Annual Governance Statement (October 2020)
- A presentation from The Head of Human Resources on the response to the Covid-19 pandemic.

2.8 The Committee has continued to champion and encourage sound risk management in the Council, including how it is reported to members, and to provide member challenge and review for the Corporate Risk Register. The Committee has encouraged discussion of departmental risks as well as Corporate Risks.

2.9 The Committee helps the Council to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. The Committee has received updates on work to counter fraud and corruption and supports the promotion of the Council's zero tolerance to fraud and corruption. An Anti-Fraud and Corruption Update is regularly reported to the Audit Committee, for example the Annual report in April 2021, page 215. Anti-Fraud, Bribery and Corruption Report. The Committee has recommended that fraud awareness online training is mandated for staff.

2.10 The Committee is keen to ensure that business resilience, business continuity and emergency planning, including ICT, are well managed.

2.11 The Committee has considered reports on the governance of the Norfolk Pension Fund to inform its consideration where they are included in the Council's Annual Statement of Accounts. The Committee received an update on the Norfolk Pension Fund Governance Arrangements 2020-21, (page 178) as reported 29 July 2021.

2.12 The Committee considered the effectiveness of the governance, control and risk management for Treasury Management.

2.13 The Committee continues to develop its role and impact through on-going member training and the development of the Committee's work programme.

3. Impact of the Proposal

The work of the Audit Committee supports the good governance of the Council as reported in the Annual Governance Statement. The Committee can be assured that good governance practice is demonstrated. The Committee has provided challenge and taken assurance from reports, principally:

- considering and approving the Annual Statement of Accounts and Annual Governance Statement 2019-20, at its October 2020 meeting; and

- over the period has added value through considering;

o the External Auditor's reports
o internal audit and strategic risk management reports, performance and effectiveness
o plans and action to prevent, detect and investigate any fraud, bribery or corruption

4. Financial Implications

The Committee's work covers the Council's and Pension Fund's Revenue and Capital Expenditure and their Assets & Liabilities.

5. Resource Implications

5.1 There are no implications for Staff/Property or IT.

6. Other Implications

6.1 Legal Implications:
None.

6.2 Human Rights implications:
None.

6.3 Equality Impact Assessment (EqIA) (this must be included)

Not required.

6.4 Data Protection Impact Assessments (DPIA)

Not required.

6.5 Health and Safety Implications:

None.

6.6 Sustainability Implications

None.

Any Other implications

Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to consider.

11. Recommendation

As above.

Background Papers

None.

Officer Contact

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

Officer Name: **Adrian Thompson – Assistant Director of Finance (Audit)**
Tel No: **01603 303395**
Email address: **Adrian.thompson@norfolk.gov.uk**

Appendix A

Review of the effectiveness of the Audit Committee

A CIPFA Self-assessment was undertaken on the function and operation of the Audit Committee. The assessment was based on the CIPFA's publication 'Audit Committees – Practical Guidance for Local Authorities and police – 2018 Edition. Appendix D Self-assessment of good practice was completed and it provides a high level review that incorporates the key principles set out in CIPFA's position statement and the principles in the above publication.

The Committee was assessed to meet the requirements, however there were a few areas where strengthening could be considered, these are reported by exception below:

Appendix D Self-assessment good practice area	Outcome of Self-assessment and recommendation
Audit Committee Purpose and Governance Do the terms of reference clearly set out the purpose of the committee in accordance with in CIPFA's position statement.	The Audit Committee terms of reference do not make specific reference to the Audit Committees role in relation to: • the effectiveness of arrangements and the control environment and risk-related issues in relation to partnerships and collaborations with other organisations • monitoring the effectiveness of the control environment, including arrangements for ensuring value for money and supporting standards and ethics • supporting standards and ethics Recommendation – the Audit Committee terms of reference should be updated to include the above roles from the CIPFA position statement.

Functions of the Audit Committee Has the Audit Committee considered the 'wider areas' **(See Note 1 below)** identified in CIPFA's position statement and whether it would be appropriate for the Committee to undertake them?	The Audit Committee have not formally considered the 'wider areas' identified in the CIPFA Position Statement. NB: Treasury Management Assurance is part of the Committee's terms of reference. Recommendation – the Committee to consider the CIPFA Position Statement (Wider Areas) and agree if there are any actions that need to be taken.
Membership and Support Has consideration been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	The Committee does not have any independent members. The Government is considering arrangements for Local Authority Audit. Recommendation – The Audit Committee will be updated on regulations and guidance concerning independent members and if required consider this requirement.
Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory.	Members of the Committee are nominated and agreed with political group leaders. The Chairman and Vice Chairman are approved by Council. Members of the committee are offered relevant training for example on approval of the annual statement of accounts or on Risk Management.
Effectiveness of the Committee Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work	The Audit Committee is part of the system of internal audit and the governance framework. The work of the Audit Committee is reported on in the Annual Governance Statement, which is considered as part of the Annual External Audit. No exceptions have been noted. Appendix E of CIPFA's publication 'Audit Committees – Practical Guidance for Local Authorities and police – 2018 Edition contains an assessment tool to help audit committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the audit committee

	should be able to identify evidence of its impact or influence linked to specific improvements. The ‘Evaluating the effectiveness of the Audit Committee’ tool would benefit from more time, for member input, therefore the results will be presented to a future committee.

Note 1: CIPFA Position Statement – Wider Role

An audit committee can also support its authority by undertaking a wider role in other areas including:

- considering governance, risk or control matters at the request of other committees or statutory officers
- working with local standards and ethics committees to support ethical values
- reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)
- providing oversight of other public reports, such as the annual report.

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Audit Committee

Item No 12

Report title: Anti-Fraud, Bribery and Corruption Report for the Quarter ending 30 September 2021

Date of meeting: 14 October 2021

Responsible Cabinet Member: N/a

Responsible Director: Helen Edwards, Director of Governance

Is this a key decision? No

Executive Summary

The Council's Anti-Fraud, Bribery and Corruption Policy continues to direct the proactive anti-fraud work undertaken by Council. This report provides an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the period ending 30 September 2021.

Furthermore, an update in respect of the Council's Whistleblowing provision can be found in section four of this report.

Recommendations

1. **To consider and agree: -**
    - **the key messages featured in part 3 of this quarterly report, that the work and assurance meet their requirements and advise if further information is required.**

1. Background and Purpose

1.1 One of the roles of the Audit Committee is to have oversight of the effectiveness of the anti-fraud and corruption and whistleblowing arrangements of the Council including the strategy, policies and any associated guidance.

1.2 Norfolk Audit Service (NAS) leads on the strategic delivery of Counter Fraud, Bribery and Anti-Corruption work across all NCC's services on behalf of the Director of Governance. The aim is to protect the public purse, NCC, its staff and its service users from corrupt activities that would undermine NCC's aims and objectives of meeting public service requirements.

1.3 This report supports the remit of the Audit Committee in providing proactive leadership and direction on anti-fraud, bribery and corruption governance and issues. The purpose of this report is to update the Audit Committee on outcomes and activities undertaken during the period.

2. Proposals

2.1 The Audit Committee are recommended to consider and agree: -

- the key messages below
- that the work and assurance meet their requirements and advise if further information is required.

3. The key messages are as follows: -

National Fraud Initiative (NFI)

3.1. Significant progress has been made during the period in reviewing, investigating and resolving thousands of data matches identified through the National Fraud Initiative.

As a result of the work undertaken to date:

- It is estimated that £369,000 has been saved because of cancelling blue badges where the Council was not made aware of dates of death.
- It is estimated that £103,632 has been saved because of cancelling concessionary travel passes where the Council was not made aware of dates of death.
  (estimates are calculated by the Cabinet Office and include savings from administration, enforcement, and lost revenues from unauthorised (and ongoing) use.)
- £30,589 has been recovered in duplicate payments to creditors.

Additionally, the NFI identifies actual or perceived conflicts of interest whereby employee's may be directors of companies the Council does business with. During the period specific work has been undertaken to ensure where potential conflicts have arisen; the Council's policies and procedures have been followed, personal interest forms have been completed and; advice and guidance provided to ensure any potential conflicts of interests are managed effectively.

Data matches identified through the NFI do not identify specific fraud events, but provide risk scored red flags for review and action in known areas of fraud risk. A full list of the data matching topics can be found at **Appendix A**.

(The National Fraud Initiative (NFI) is an exercise operated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. All local authorities in England are required to provide various sets of data to the NFI bi-Annually to support the activity.)

Fraud Hub

3.2. FraudHub continues to have a positive impact in respect of its capabilities for person tracing and background checks.

During the period FraudHub has assisted with identifying potential fraud. This has included:

- Undeclared property ownership
- Undeclared bank accounts
- Unknown capital
- Person tracing

The Council continues to explore new technologies and systems to assist with the prevention and detection of fraud from both within and external to the authority.

Funds recovered through the Single Person Discount (SPD) recovery project are shared between the LA's on the standard Council tax basis. The project is set continue and will be reviewed annually.

Norfolk Against Scams

3.3. NAS continues to support Norfolk Against Scams Partnership (NASP) in cooperation with Norfolk Trading Standards.

The work undertaken by NAS includes promoting fraud and scams awareness to Norfolk Schools. NASP is a partnership of organisations committed to taking a stand against scams and aims to make Norfolk a scam free county.

Through raising awareness in this area examples can be evidenced of enhanced reporting and circulation of new and emerging scams in Norfolk Schools.

Investigations and Audit Support

3.4. During the period the following activities have been undertaken by the Council's Investigative Auditor (IA):

- Two internal investigations have been completed in the areas of data protection and confidentiality. The investigations were completed under the Council's policies and procedures and outcomes reported to service leads.

- Strategic and operational support was provided to the Education Quality Assurance, Intervention & Regulation Service in the design, delivery and reporting of complex investigation work.

- Two previously reported Investigations remain ongoing at the point of reporting. Progress on the investigations has been made during the period and the IA continues to work with law enforcement.

- Attendance and regional anti-fraud meetings and conferences has taken place. The purpose of these meetings is to enhance NCC's counter fraud culture, promote the reporting lines for raising concerns, identify areas for counter fraud activity and assess potential investigations.

Whistleblowing

4. The Director of Governance and Chief Internal Auditor champion the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures on whistleblowing. It is important to create a culture of confidence for employees to report those concerns, track the outcome of whistleblowing reports, provide feedback to whistle-blowers and take reasonable steps to protect whistle-blowers from victimisation. Not all reported concerns will fall within whistleblowing law, but they are all taken seriously.

Norfolk Audit Service is responsible for receiving and progressing all disclosures made to the Council under the NCC Whistleblowing Policy, on behalf of the Director of Governance.

A summary of the Whistleblowing activity received can be found below:

- Two new referrals have been made during the period and are under assessment.

- The Councils Whistleblowing policy has been updated and published on the Council's website.

The role of Norfolk Audit Service in dealing with Whistleblowing complaints is to assess the disclosures and ensure these matters are addressed by either investigating the matter where it relates to fraud and corruption or; forwarding to the correct department for review and investigation by that department if appropriate.

We also liaise with Whistleblowers as an independent point of contact to ensure segregation of duties and that matters have been resolved to their satisfaction.

Where a whistleblowing referral is received, we will inform the appropriate Executive Director (where appropriate) of the referral to ensure the matters are addressed effectively.

5. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1 **Staff:** There are no staff implications.

7.2 **Property:** There are no property implications.

7.3 **IT:** There are not I.T. implications.

8. Other Implications

8.1 **Legal Implications:** There are no specific legal implications to consider within this report.

8.2 **Human Rights implications:** There are no specific human rights implications to consider within this report.

8.3 **Equality Impact Assessment (EqIA) (this must be included):** No implications.

8.4 **Data Protection Impact Assessments (DPIA):** There are no DPIA implications.

8.5 **Health and Safety implications (where appropriate):** There are no health and safety implications.

8.6 **Sustainability implications (where appropriate):** There are no sustainability implications.

8.7 **Any other implications:** There are no other implications.

9. Risk Implications/Assessment

9.1 Not applicable.

10. Select Committee comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary.

12. Background Papers

NCC Anti-Fraud, Bribery and Corruption Policy
NCC Whistleblowing Policy
NCC Anti-Money Laundering Policy

Officer Contact

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Appendix A

List of data matching activity from the National Fraud Initiative (NFI).

ID ▲	REPORT TITLE
52	Pensions/Pension Gratuity to DWP Deceased
53	Deferred Pensions to DWP Deceased
54	Pensions to Payroll
55	Pensions to Payroll
65	Payroll to Payroll
66	Payroll to Payroll
67.1	Payroll to Payroll - Phone Number
68.1	Payroll to Payroll - Phone Number
78	Payroll to Pensions
80	Payroll to Creditors
81	Payroll to Creditors
170	Blue Badge Parking Permit to Blue Badge Parking Permit
170.1	Blue Badge Parking Permit to Blue Badge Parking Permit
172.1	Blue Badge Parking Permit to DWP Deceased
172.2	Concessionary Travel Passes to DWP Deceased
172.7	Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number
172.8	Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number
172.9	Blue Badge Parking Permit to Blue Badge Parking Permit - Email Address
304	Blue Badges to Amberhill Data
701	Duplicate creditors by creditor name
702	Duplicate creditors by address detail
703	Duplicate creditors by bank account number
707	Duplicate records by reference, amount and creditor reference
708	Duplicate records by amount and creditor reference
709	VAT overpaid
710	Duplicate records by name, invoice number and amount but different creditor reference
711	Duplicate records by invoice number and amount but different creditor reference and name
712	Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number
713	Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date
750	Procurement - Payroll to Companies House (Director)
752	Procurement - Payroll to Companies House (Director)
9999	Multiple occurrence report

Audit Committee

Item No 13

Report Title: Work Programme

Date of Meeting: 14 October 2021

Responsible Cabinet Member: N/A

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a Key Decision? No

Executive Summary

The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.

Recommendations

The Audit Committee are asked to consider and agree:

- **the work programme for the Committee**
- **if further information is required**

1. Background and Purpose

1.1 In accordance with its Terms of Reference, which is part of the Constitution, the Committee should consider the programme of work set out below.

2. Proposal

2.1 The proposed work is set out in the tables below

January 2022	
Risk Management Report	Executive Director, Finance and Commercial Services
NAS Quarterly Report Quarter ended December 2021	Executive Director, Finance and Commercial Services
Internal Audit Strategy, Approach, Strategic Plan and Internal Audit Plan for 2022-23	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services

April 2022	
NAS Quarterly Report Quarter ended March 2022	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Risk Management Annual Report 2020-21	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Director of Governance
Insurance Annual Report 2021-22	Executive Director, Finance and Commercial Services
Norfolk Audit Services Annual Report 2021-22 (including Quarter ended April 2022)	Executive Director, Finance and Commercial Services
Audit Committee – Terms of Reference	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update and Anti-Fraud and Corruption Annual Report 2021-22	Director of Governance

July 2022	
NAS Quarterly Report Quarter ended June 2022	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Director of Governance

Medium Term Items: Follow Up to the Census 2021 presentation (July 2021) Environmental Policy Update	 Executive Director of Strategy and Transformation Executive Director, CES

2.2 The Committee may wish to propose further reports on additional topics relevant to the Committee's terms of reference.

3. Impact of the Proposal

3.1 As a result of the delivery of the work plan the Committee will have assurance through audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1 There are no Staff/Property or IT implications

8. Other Implications

8.1 There are no Legal /Human Rights/ Equality Impact Assessment (EqIA) /Data Protection Impact Assessments (DPIA)/Health and Safety/Sustainability or other implications.

9. Risk Implications / Assessment

9.1 There are no risk implications. Risk Management reports feature in the programme.

10. Select Committee Comments

10.1 None.

11. Recommendations

1. Please see the Executive Summary above.

12. Background Papers

12.1 None.

Officer Contact
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