Norfolk County Council
at your service

Audit Committee

Date: **Thursday 25 September 2014**

Time: **2pm**

Venue: **Colman Room, County Hall, Norwich**

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

Membership: Mr I Mackie - (Chairman)

Mr B Bremner
Mr J Dobson - (Vice-Chairman)
Mr A Gunson
Mr J Joyce
Mr R Parkinson-Hare
Mr R Smith

Please note that the meeting will be preceded by an Audit Committee Member Training Session commencing at 1.00pm in the Colman Room.

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

Agenda

1 To receive apologies and details of any substitute members attending

2 Minutes (Page **5**)
To confirm the minutes of the meeting held on 19 June 2014.

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

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

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

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

5 Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2014 (Page **11**)
Report by the Interim Head of Finance/ External Auditors

6 Annual Statement of Accounts and Annual Governance Statement 2013-14 (Page **37**)
Report by the Interim Head of Finance

7 Letters of Representation 2013-14 (Page **251**)
Report by the Interim Head of Finance/External Auditors

8 Norfolk Pension Fund Governance Arrangements (Page **262**)
Report by the Interim Head of Finance

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Date Agenda Published: 17 September 2014

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Norfolk County Council
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Audit Committee
Minutes of the Meeting held on Thursday 19 June 2014 at 2pm in the Colman Room, County Hall, Norwich

Present:

Mr I Mackie (Chairman)

Mr B Bremner
Mr J Dobson
Mr A Gunson
Mr J Timewell
Mr R Parkinson-Hare
Ms J Virgo

Officers Present:

Mr P King	Ernst & Young (Audit Manager)
Mr R Murray	Ernst & Young (Director)
Ms V McNeil	Monitoring Officer / Practice Director NPLaw
Mr S Rayner	Strategic Risk Manager
Mr P Timmins	Interim Head of Finance
Mr A Thompson	Chief Internal Auditor
Miss N Tuck	Committee Officer

1 Election of Chairman

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

2. Election of Vice-Chairman

2.1 Mr J Dobson was elected Vice-Chairman for the ensuing year.

3. Apologies for Absence

Apologies were received from Mr J Joyce and Mr R Smith who were substituted by Mr J Timewell, and Ms J Virgo respectively.

4. Minutes

4.1 The minutes of the meeting held on 24 April 2014 were agreed as a correct record and signed by the Chairman.

4.2 The Committee asked if there had been a response to Item 11.2 in the minutes of the last meeting. The Chief Internal Auditor agreed to circulate an answer after the meeting.

5. Declaration of Interests

5.1 Ms Virgo expressed an interest that she received added years interest through the Teacher's Pension which was paid by Norfolk Pension Fund.

6. Items of Urgent Business

There were no items of urgent business declared.

7. Email Outage Risk Report

7.1 The Committee received the report by the Interim Head of Finance and Head of ICT and Information Management (annexe 7). The report provided information with respect to business continuity and risk management associated with the recent e-mail outage.

7.2 During the discussion, the following points were noted;

- There was concern raised at the length of time taken for the e-mail system to work effectively again. This was primarily due to a second issue that was pinpointed by ICT staff who were assisted by Microsoft. The primary issue had been identified as relating to a bug and a new environment had to be built. Once this was completed, another issue had arisen due to the age of the infrastructure.

- It was noted that Members found the inconvenience extremely difficult and it had emerged for some that emails still had not been fully recovered. The public did not seem to know that Members had been affected. This had caused issues as Members had not been able to respond to constituents. Communication needed to be improved and a plan put in place to respond to the risk of any future problems.

- Assurance was given to the Committee by the Head of ICT and Information Management that the impact of the problem had not been underestimated. Programs would be migrated to two new data centres which would mean for critical events there would be stronger disaster recovery plans in place. There was a large programme of activity in place to tighten up ICT networks and the data which shaped the services. Members of the Committee were offered the chance to visit the ICT Shared Service Centre at any time to witness the work which was taking place.

7.3 **RESOLVED**

- The Head of ICT and Information Management and the Strategic Risk Manager to highlight the above risks to Policy and Resources Committee

8. Monitoring Officer's Annual Report 2013-14

8.1 The Committee received the report by the Monitoring Officer (annexe 8) which summarised the internal governance work carried out in 2013/14 and provided assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer, is adequate and effective.

8.2 During the discussion, the following points were noted;

- In response to a question about the Monitoring Officer’s role in notifying the County Council of legal risks, the Monitoring Officer highlighted the different roles of the legal team and the Monitoring Officer. The legal team advises the Council on a range of legal matters but on occasion external legal specialists are retained where the necessary expertise cannot be provided in-house. The Monitoring Officer’s principal duty is to inform the Council if it is proposing to do something illegal or constituting maladministration.

8.3 The Committee **NOTED** the report.

9. Risk Management Policy and Framework

The Committee received the report from The Interim Head of Finance (annexe 9) which provided the Committee with an update following the full review of Norfolk County Council’s management of risk policy and framework documents, “Well Managed Risks”. These documents set out the County Council’s commitment to the management of risk in accordance with the Accounts and Audit (England) Regulations 2011.

RESOLVED
- To note the report
- To consider the contents of the updated risk management policy and framework “Well Managed Risk”.
- To approve the revised policy and framework “Well Managed Risk”.
- To recommend adoption of the policy and framework “Well Managed Risk” to Full Council.

10. Risk Management Report (1st Quarter 2014/15)

10.1 The Committee received the report from the Interim Head of Finance (Annexe10) which provides the Committee with an update of the Corporate Risk Register and other related matters. This was following the latest review conducted during the first quarter of 2014/15. The update included details of twenty-one risks approved by Chief Officers Group for inclusion within the Corporate Risk Register.

10.2 During the discussion, the following points were made

- Each service committee was developing a plan, with Officers from the Corporate Planning and Performance Service, so that there was adequate reporting of risk to each committee

- There was no detailed risk on the register for the threat of fire at County Hall. However there was a risk which related to the refurbishment and this had been developed with the team who were delivering that project and included increased fire threat mitigation.

- There are business continuity plans in place for all types of incidents including fire at County Hall. It was suggested that business continuity, in the broader sense, could be reviewed by the Committee at a future meeting.

- It was confirmed that the risk regarding the introduction of the Committee Systems had been taken off the register but there still remained a further potential risk, regarding the embedding of the new system, on the register. That embedding risk would not be removed until the six month review of the system had passed.

10.3 **RESOLVED**

- To note the changes to the risk register
- To agree the twenty-one corporate risks
- To note that the arrangements for the risk management were acceptable and fulfil Norfolk County Council's "Well Managed Risk – Management of Risk Framework."

11. Risk Management Report, Waste Management Risk Reporting

11.1 The Committee received a report by the Interim Head of Finance (annexe 11) which provide further information into the risk management process relating to waste management in Norfolk. The report provided the Committee with a review of the risk management and the recording process for risks relating to waste management from 2006 to the present. . The report identified when risks were developed and recorded on risk registers and noted the circumstances around changes to those risks. The report also noted the review process for all such risks and risk registers.

11.2 The following points were noted during the discussion:

- Following a report by the National Audit Office (on DEFRA's PFI Waste Credits), some Members of the Committee expressed concern over the risk assessment of the penalties associated with the compensation payments upon termination of the contract. It was noted that Chief Officers would have been aware of the corporate risks as set out in the report however, their meetings were not in the public domain.

- A proposal was made as follows; 'In respect of the Willows Waste PFI Project (Mass Burn Incinerator) the Audit Committee asks for a further report giving clarification of the Chief Officer Group's (COG) detailed assessment of the corporate risk of not getting planning permission for the project in the time stipulated in the contract at the time it was drawn up, as well as their further detailed assessment of the same corporate risk as a consequence of the warning to the County Council from DEFRA in 2010 over the contract compensation arrangements, as revealed in the recent (2014) NAO report'.

11.3 **RESOLVED**

- With 4 votes to 3 the proposal fell.
- To note the report.

12. Norfolk Audit Services Quarterly Report for Quarter ended 31 March 2014

12.1 The Committee received the report by the Interim Head of Finance (annexe 12) which summarised the results of recent work by Norfolk Audit Services (NAS). The report gave an overall opinion on the adequacy and effectiveness of risk management and internal control within the County Council and also gave assurance that, where improvements were required, remedial action had been taken by Chief Officers.

12.2 **RESOLVED that**:

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

- The changes to the approved 2014-15 internal audit plan, as described in Appendix D.

- The summary High Priority Findings results, at 4.7 Table 1, being satisfactory with action planned for outstanding findings.

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

13 Annual Internal Report 2013-14

13.1 The Committee received a report by the Interim Head of Finance (annexe 13) introducing the Chief Internal Auditor’s Annual Internal Audit Report for 2013-14.

13.2 The Committee considered the report and **RESOLVED** to note the key messages that;

- Based on the report the Interim Head of Finance assured the Committee that the adequacy and effectiveness of system of internal control including the arrangements for the management of risk during 2013-14 was acceptable and therefore considered sound.
- Internal audit was effective during 2013-14
- The work of Norfolk Audit Services for the year and the assurance provided assists the Committee to reasonably assess the risk that the Financial Statements are not materially mis-stated due to fraud. The risks of Fraud and Corruption have been reviewed and planning and resources are considered adequate.
- For 2014-15, the team have plans to strengthen controls over costs and to further develop our approach and skill sets to provide new perspectives on how we approach audits to add value, be independent but also a partner to the business and take an active role in transformational change through ‘critical thinking’ and value creation.

14 Statement of Accounts 2013-14 – Verbal Update

14.1 The Chief Internal Auditor reported that the accountants were preparing to publish the draft accounts at the end of June.

14.2 It was confirmed that although the Norse Group Ltd had a separate set of accounts, they were incorporated into the Council’s group accounts which were audited by Ernst and Young.

15 Anti-Fraud and Corruption Update

15.1 The Committee received a report by the Practice Director NP Law (annexe 15) which provided an update for the Committee on the Council’s Anti-Fraud and Corruption activity for the period from January to May 2014.

15.2 During the discussion, the following points noted;

- Anti-fraud training had been launched and was being rolled out for staff on the Council's e-learning hub.

15.3 The Committee considered the recommendations and **RESOLVED**

- That there had been adequate progress made
- To agree the plan for future work, as set out in section 7 of the report.

16. Norfolk Pension Fund – Governance Reports relevant to the Audit Committee

16.1 The Committee received the report (annexe 16) by the Interim Head of Finance which briefed members on Norfolk Pension Fund governance reports relevant to the Audit Committee in accordance with the Audit Committee's Terms of Reference.

16.2 The Committee noted the report.

17. Audit Committee Work Programme

17.1 The Committee received the report (annexe 17) by the Interim Head of Finance which set out the programme of work for the Committee.

17.2 The Committee noted the report.

The meeting ended at 3.55pm

CHAIRMAN

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Audit Committee

Item No 5

Report title:	**Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2014**
Date of meeting:	**26 September 2014**
Responsible Chief Officer:	**Interim Head of Finance**

Strategic impact

This report introduces our External Auditor's (Ernst and Young) Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2014.

Executive summary

Recommendation:

It is recommended that the Audit Committee should consider the Ernst and Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2014, at Appendix A and B.

Members are invited to:

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

1. Proposal (or options)

1.1 The recommendation appears in the Executive summary above.

2. Evidence

2.1 Appendix A to this report sets out the Ernst and Young Norfolk County Council Audit Results Report – Audit Committee Summary for the year ended 31 March 2014.

2.2 Appendix B to this report sets out the Ernst and Young Norfolk Pension Fund Audit Results Report – Audit Committee Summary for the year ended 31 March 2014. This report will have already been reported to the Pensions Committee.

3. Financial Implications

3.1. This report is representative of all of the Council’s finances during 2013-14 as described in the Annual Statement of Accounts.

3.2. The cost for that report and audit was within the fee base as notified to the Committee at page 78 of the External Audit Plan (see 5.2 below).

4. Issues, risks and innovation

4.1. **Other resource implications**

There were no other resource implications arising from this report.

4.2. **Legal implications**

There were no legal implications arising from this report.

4.3. **Risk implications**

There were no risk implications arising from this report.

4.4. **Equality implications**

There were no equality implications arising from this report.

4.5. **Human rights implications**

There were no human rights implications arising from this report.

4.6. **Environmental implications**

There were no environmental implications arising from this report.

4.7. **Health and safety**

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

5. Background

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

5.2. **Background papers**

- External Audit Plan (Item 7, Page 56)

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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

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Norfolk County Council

Audit Committee Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

25 September 2014

Rob Murray, Director
rmurray@uk.ey.com

Philip King, Senior Manager
pking@uk.ey.com

Building a better
working world

Contents

Executive summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- As at 16 September 2014, we expect to issue an unqualified opinion on the financial statements . Our audit results demonstrate, through the small number of issues that we have to communicate, that arrangements for the production of the financial statements remain strong. There are a some areas of our work that are still in progress as at the date of drafting this report, as highlighted on page 8. We expect these to be complete by the date of the Audit Committee.

Value for money

- Our review of your arrangements to secure economy, efficiency and effectiveness in your use of resources is ongoing. Based on the work undertaken to date we expect to issue an unqualified value for money conclusion along with our audit opinion. We will update Members of the Audit Committee on the progress with this work at the Audit Committee in September.

Whole of Government Accounts

- We will undertake our work on the Whole of Government Accounts return following the completion of our work on the Authority's financial statements. We will update Members of the Audit Committee on the progress with this work at the Audit Committee in September.

Audit certificate

- The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Extent and purpose of our work

The Authority's responsibilities

The Authority is responsible for preparing and publishing its Statement of Accounts accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2013/14 financial statements
- Report on any exception on the governance statement or other information included in the foreword
- Consider and report any matters that prevent us being satisfied that the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)

In addition, this report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgments and significant deficiencies in internal control.

As a component auditor, we also follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.

This report is intended solely for the information and use of the Authority. It is not intended to be and should not be used by anyone other than the specified party.

Addressing audit risks

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Issues arising
Significant audit risks (including fraud risks)		
<u>Fraud and management override risk</u> As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions.	Our planned procedures in relation to this risk are complete. There are no issues to report to the Committee
<u>Group accounts</u> Norse Group Ltd is a significant component company within the Norfolk County Council group. Norse Group Ltd is significant to the group based on both its size and other risk factors; specifically that it has a non-coterminous year end. Production of statements and disclosure notes for the group accounts and the closedown and consolidation process for Norse Group Ltd therefore presents a significant financial statement risk. One specific risk identified as part of last year's audit was the weak audit trail that supported the reanalysis of the Norse Group Profit and Loss Account into the SERCOP analysis required for the Norfolk County Group CIES.	• Assessed the group accounting instructions and consolidation schedules issued to Norse Group Ltd by Norfolk County Council. • Liaised with Grant Thornton LLP, the external auditors of the Norse Group, having issued them with instructions that detail the required audit procedures they are to undertake on the consolidation schedules prepared by Norse. These instructions specifically referred to the SERCOP analysis audit trail issue. • Ensured that appropriate consolidation procedures are applied when consolidating Norse Group Ltd into the Norfolk County group accounts.	Our planned procedures in relation to this risk are complete. Some minor issues arose from GT's audit of the Norse Group consolidation schedules. There are no other issues to report to the Committee.

Addressing audit risks

Significant audit risks (continued)

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
Pension valuations and disclosures The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the administering body. During the year under audit, the IAS 19 liability relating to those employees who work for Norse Companies providing services to Norfolk County Council was transferred back to the County Council. This will therefore increase the IAS 19 liability disclosed on the County Council Balance Sheet.	• Liaised with the auditors of the administering authority, to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council. • Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary to the Audit Commission, PwC. • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to the Norse IAS 19 liability transfer.	Our planned procedures in relation to this risk are substantially complete. To date there are no issues to report . We will update Members on our work in this area at the Audit Committee.

Addressing audit risks

Significant audit risks (continued)

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
Localisation of business rates There have been significant changes in the arrangements for business rates from April 2013. The detailed application of these new accounting arrangements present a risk in terms of the financial statements. One of the main changes is that individual councils now need to provide for rating appeals. This includes not only claims from 1 April 2013 but claims that relate to earlier periods. As appeals are made to the Valuation Office, councils may not be aware of the level of claims. Councils may also find it difficult to obtain sufficient information to establish a reliable estimate.	• Reviewed the detailed accounting transactions for business rates to ensure the Authority's accounts are materially accurate and compliant with the CIPFA Code of practice. • Reviewed the Authority's provision for business rate appeals and ensured that it has been calculated on a reasonable basis. As part of this we ensured the provision is supported by appropriate evidence by reviewing the information provided by the borough and district councils as Norfolk's provision comprises a share of the provision made by each borough and district council.	Our planned procedures in relation to this risk are in progress. We will update Members on our work in this area at the Audit Committee.

Financial statements audit

Issues and misstatements arising from the audit

Progress of our audit

- The following areas of our work programme remain to be completed. These include:
  - Completion of audit procedures regarding the transfer of the IAS 19 liability from Norse Group Ltd to the County Council
  - Completion of audit procedures covering property, plant and equipment
  - Completion of audit procedures covering business rates.
  - Completion of the assurance work on the Whole of Government Accounts (WGA) return
  - Final audit closing and review procedures
  - Receipt of a letter of representation and signed accounts
  - Final Director review of the financial statements
- We will provide Members with an update of progress at the Audit Committee meeting.
- Subject to the completion of our work on the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

On the basis of the work completed to date, we have not identified any misstatements within the draft financial statements, which management has chosen not to adjust.

Corrected misstatements

Our audit identified a small number of numerical and disclosure misstatements which we have highlighted to management for amendment. All of these have been corrected during the course of our work.

Financial statements audit (continued)

Other matters & internal control,

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions; and,
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest,

We have no matters that we wish to report.

Internal control

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

We have tested the controls of the Authority in those areas where we are seeking to rely on them for audit assurance purposes. However, this does not cover all areas of the Authority's internal control framework and therefore we are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- It is consistent with other information that we are aware of from our audit of the financial statements.

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

Financial statements audit (continued)

Written Representations & Whole of Government Accounts

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested ant specific representations.

Whole of Government Accounts

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

We will undertake our work on the Whole of Government Accounts return following the completion of our work on the Authority's financial statements. We will update Members of the Audit Committee on the progress with this work at the Audit Committee in September.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Norfolk County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Authority's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 - Arrangements for securing financial resilience

- "*Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future*"

Our review of your arrangements to secure financial resilience is ongoing. Based on the work undertaken to date we have no matters to report; we will however update Members of the Audit Committee on the final conclusions from this work at the Audit Committee in September.

Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

- "*Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.*"

Our review of your arrangements to secure economy, efficiency and effectiveness in your use of resources is ongoing. Based on the work undertaken to date we have no matters to report; we will however update Members of the Audit Committee on the final conclusions from this work at the Audit Committee in September.

Independence and audit fees

Independence

▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 24 April 2014.

▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view.

If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 25 September 2014.

▶ We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements were set out in our Audit Plan of 24 April 2014.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14	Variation comments
	£s	£s	
Total audit fee – Code work	170,360	170,360	None

▶ As noted in our Audit Plan; we have raised an additional audit fee of £14,300 for instructing; liaising with; and reviewing the work of the auditors of Norse Group Ltd. The additional fee is included in the scale and proposed final fees above.

▶ Our actual fee is currently in line with the rebased scale fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.

▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

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Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission's website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

[redacted]

Norfolk Pension Fund

Pensions Committee and Audit Committee Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

September 2014

Baldeep Singh, Partner
bsingh@uk.ey.com

Philip King, Senior Manager
pking@uk.ey.com

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Contents

Executive summary
Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee of Norfolk County Council - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and our review of your Annual Report.

Financial statements

- As at 1 September 2014, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the very few matters we have to communicate, that the Fund has prepared its financial statements to a high standard. There are a small number of areas of our work that are still in progress as at the date of drafting this report , as highlighted on page 7. We expect these to be substantially complete by the date of the Pensions Committee and Audit Committee.

Pension Fund Annual Report

- We have received the draft version of the Pension Fund Annual Report. Our review of the Annual Report is substantially complete and we have no issues to report to the Members of the Pensions Committee and Audit Committee.

Extent and purpose of our work

The Funds responsibilities

The Fund is responsible for preparing and publishing its Statement of Accounts.

The Fund is also responsible for preparing and publishing its Statement of Accounts

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2013/14 financial statements
- Report on any exception in the Pension Fund Annual Report or other information included in the financial statements

In addition, this report contains our findings related to the areas of audit emphasis, our views on the Fund's accounting policies and judgments and significant deficiencies in internal control.

This report is intended solely for the information and use of the Fund. It is not intended to be and should not be used by anyone other than the specified party.

Addressing audit risks

Audit risk

We identified the following audit risk during the planning phase of our audit, and reported this to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Audit risks (including fraud risks)		
<u>Fraud and management override risk</u> As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions.	Our planned procedures in relation to this risk are substantially complete. Based on the work completed to date, we have identified no findings that would indicate there is a risk of material misstatement due to fraud or error.

Addressing audit risks

Areas of audit emphasis

Areas of audit emphasis identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
We identified the following areas of audit emphasis: ▶ Completeness, existence, ownership and valuation of year end investments. ▶ Completeness, occurrence and measurement of investment income and change in market value. ▶ Completeness, existence, ownership and valuation of cash balances. ▶ Completeness, measurement and timeliness of contributions. ▶ Occurrence and measurement of pensions. ▶ Presentation of and disclosures in the financial statements are compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.	• Planned audit procedures to ensure the Fund's accounts are complete, materially accurate and all disclosures compliant with the CIPFA Code of Practice.	Our planned procedures in relation to areas of audit emphasis are substantially complete. There are no issues to report to the Committee.

Financial statements audit

Issues and misstatements arising from the audit

Progress of our audit

- A small number of areas of our work programme remain to be completed. These include:
  - Final audit closing and review procedures
  - Receipt of a letter of representation and signed accounts
  - Final Partner review of the financial statements
- We will provide Members with an update of progress at the Pensions Committee and Audit Committee meetings.
- Subject to the completion of our work on the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

On the basis of the work completed to date, we have not identified any misstatements within the draft financial statements, which management has chosen not to adjust.

Corrected misstatements

During the course of our audit the Pension Fund identified a small number of minor disclosure issues for which management amended the financial statements. No numerical or disclosure misstatements were noted from audit procedures.

Financial statements audit (continued)

Other matters, Internal control and Written Representations

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Pension Fund's financial reporting process including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions; and,
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest,

We have no matters we wish to report.

Internal control

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 Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Pension Fund only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

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

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations.

Independence and audit fees

Independence

- We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 24 June 2014.

- We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

- We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

- We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view.

If you wish to discuss any matters concerning our independence, we will be pleased to do so at the meetings of the Pensions Committee and the Audit Committee in September 2014.

- We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements were set out in our Audit Plan of 24 June 2014.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14	Variation comments
	£s	£s	
Total audit fee – Code work	27,099	27,099	None

- Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

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Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission's website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

[redacted]

Audit Committee

Item No 6

Report title:	**Annual Statement of Accounts and Annual Governance Statement 2013-14**
Date of meeting:	**25 September 2014**
Responsible Chief Officer:	**Head of Finance (Interim)**

Strategic impact

This report introduces the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2013-14.

Executive summary

This report introduces the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2013-14 which has been subject to external audit by Ernst & Young. The Head of Finance (Interim) anticipates that the Council will receive an unqualified audit opinion.

The Statement of Accounts is presented in the format required for statutory external reporting requirements. The final position for all departments, a net underspend of £0.477m, has not changed since it was reported to Policy and Resources Committee on 14 July 2014.

The Council has net assets of £317.656m at 31 March 2014 which is a decrease compared with 2013 (£372.487m), due primarily to increased pension liabilities and a reduction in property assets. Appendix 1 summarises key figures in the accounts and how they have changed since the previous year.

This report also introduces the proposed Annual Governance Statement 2013-14, and provides assurance that the organisation's governance framework, including the system of internal control and internal audit, is adequate and effective for the purpose of the relevant regulations.

Recommendations

The Audit Committee is requested to:

- note that, following annual reviews, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations
- consider and approve the Annual Governance Statement (Appendix 2) and commend the statement for signature by the Leader and the Managing Director
- consider and approve the Council's 2013-14 Statement of Accounts (Appendix 3)
- note the Summary of the Statement of Accounts (Appendix 4) to be published alongside the full accounts.

1. Introduction

This report summarises the Statement of Accounts of Norfolk County Council for 2013-14.

2. Evidence

The following appendices are attached:

- Appendix 1: a narrative summary of the accounts
- Appendix 2: the Annual Governance Statement for 2013-14
- Appendix 3: 2013-14 Statement of Accounts
- Appendix 4: Summary of the Statement of Accounts for publication

3. Financial Implications

The final position for all departments as reported to Policy and Resources Committee on 14 July 2014 was a net underspend of £0.477m. This has not changed as a result of the preparation of the Statement of Accounts.

The financial statements to 31 March 2014 have been prepared on the basis that the Willows Energy from Waste contract would proceed, while acknowledging the uncertainty that existed at the time. The County Council resolved to terminate the contract on 7 April 2014. At 31 March 2014 there was no legal or constructive obligation to terminate the contract. As a result, the possibility of termination which existed at 31 March due to planning uncertainties has been treated as a contingent liability. At 31 March 2014, a reserve of £19m had been set aside in relation to the termination of the Willows energy from waste contract. The reserve was increased to £33.7m as part of the 2014-15 budget planning process.

4. Issues, risks and innovation

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

5. Background

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

Officer Contact

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

Name	Telephone Number	Email address
Peter Timmins	01603 222400	peter.timmins@norfolk.gov.uk
Howard Jones	01603 222832	howard.jones@norfolk.gov.uk

IN TRAN communication for all

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Appendix 1

Narrative Summary of Annual Statement of Accounts and Annual Governance Statement 2013-14

1. Introduction

1.1 As part of the formal process of closing the County Council's 2013-14 accounts, Members are required to consider and approve the Annual Governance Statement attached as Appendix 2, and to approve the Statement of Accounts ("the accounts"), attached as Appendix 3, by 30 September. This process of approval is included within the Committee's terms of reference.

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

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

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

2. Background

2.1 The Accounts and Audit (England) Regulations 2011 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 Interim Head of Finance is satisfied that the Statement of Accounts has been prepared in accordance with both the current Code of Practice on Local Authority Accounting in Great Britain (the Code) and the Service Reporting Code of Practice for Local Authorities (SeRCOP) supported by International Financial Reporting Standards (IFRS) and other statutory guidance. The Statement of Accounts is required to present a true and fair view of the County Council's financial position at 31 March 2014 and also the income and expenditure for the financial year.

2.3 The Council continues to prepare the 2013-14 Statement of Accounts under International Financial Reporting Standards. There have been no changes in accounting policy since 2012-13

2.4 The financial statements to 31 March 2014 have been prepared on the basis that the Willows Energy from Waste contract would proceed, while acknowledging the uncertainty that existed at the time. The County Council resolved to terminate the contract on 7 April 2014. At 31 March 2014 there was no legal or constructive obligation to terminate the contract. As a result, the possibility of termination which existed at 31 March due to planning uncertainties has been treated as a contingent liability. At 31 March 2014, a reserve of £19m had been set aside in relation to the termination of the Willows energy from waste contract. The reserve was increased to £33.7m as part of the 2014-15 budget planning process. Explanations of the financial uncertainties relating to the Waste PFI which existed at 31 March 2014 can be found in note 6 to the accounts "Events after the Balance Sheet Date".

2.5 The Interim Head of Finance reported the final revenue and capital expenditure positions for 2013-14 and the provisions and reserves held at 31 March 2014 to Policy and Resources Committee on 14 July 2014. The net expenditure reported in July has been reconciled to the Comprehensive Income and Expenditure statement in note [29] to the accounts.

2.6 Figures reported to Policy and Resources Committee on 14 July 2014 have not changed. The general fund balance in the Movement in Reserves Statement decreased by £4.806m from £22.694m at 31 March 2013 to £17.888m at 31 March 2014. Details of movements on this balance are shown in paragraph 5.8.

2.8 A four week public inspection period commencing Monday 7 July was publicised in accordance with the relevant regulations, with a press advertisement and information on the Norfolk County Council web site. No enquiries from the public were received during that period.

2.9 In accordance with good practice, the draft 2013-14 Statement of Accounts has been publicly available on the Council's web site since 7 July.

2.10 Ernst & Young started their detailed examination of the accounts in July 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.

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

2.12 The Accounts and Audit Regulations require that the 2013-14 Statement of Accounts must be published by 30 September.

3. Annual Governance Statement

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

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

3.3 The Head of Finance reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Interim Head of Finance reported to the Audit Committee on 19 June 2014 that in his opinion the adequacy and effectiveness of the system of internal control including the arrangements for the management of risk during 2013-14 was acceptable and is therefore considered sound. There were no findings with respect to his review of the system of internal control. The Committee accepted this opinion. That report also set out how the Council undertakes an adequate and effective internal audit of its accounting records and of its system of internal control. The draft Annual Governance Statement was published along with the draft Statement of Accounts in July on the Council's website.

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

3.5 Prior to 2012-13, the Annual Governance Statement was incorporated into the Statement of Accounts. Since then it has been published separately, alongside the Statement of Accounts.

3.6 The Statement confirms that, during the 2013-14 financial year, and up to the date the accounts are published, overall Corporate Governance arrangements and internal controls in the Council were in place and effective in terms of business as well as financial risk. It also confirms that areas where controls need to be developed or improved are known about and are being actioned.

3.7 An Annual Governance Statement is attached as Appendix 2.

4. Changes to the Presentation of the Accounts

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

4.2 Last year, there were a small number of changes to the way in which the 2013-14 Statement of Accounts were presented, in including the publication of the Annual Governance Statement as a separate document, a separate audit opinion issued in respect of the Pension Fund accounts, a change from landscape to portrait format to significantly reduce the number of pages, and the separation of the group accounts into a separate section. There have been no further significant changes to the format of the 2013-14 accounts.

4.3 Comparative balance sheet figures for 2012-13 Capital Grants Receipts in Advance, balanced by the Capital Grants Unapplied Account, have been re-stated due to capital grants received in 2012-13 being reclassified from Capital Grants Received in Advance to the Capital Grants Unapplied Account as a result of a review of the nature of the constituent grants under each classification. The impact of this re-classification was an increase in the accounting value of net assets of £1.005m from £371,482m to £372,487m as at 31 March 2013.

4.4 With the agreement of the auditors, the Council's share of transactions and balances relating to ESPO (the Eastern Shires Purchasing Organisation) have not been incorporated into the accounts on the grounds of immateriality. The adjustments required to remove balances previously consolidated are clearly shown in the relevant notes to the 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 2013-14. There have been no significant changes to generally recognised accounting practices affecting the Council since 2012-13.

5.2 The Statement of Accounts includes the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, a Balance Sheet and Cash Flow Statement. In addition there is a summary of the Fire fighters' pension scheme, the Norfolk Pension Fund Accounts, and Norfolk County Council's Group Accounts which incorporate the financial results, where material, of companies controlled by the Council.

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 Head of Finance in relation to the production of the final accounts.

Independent Auditors' Report

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

Movement in Reserves Statement

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

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

5.8 The 31 March 2014 General Fund Balance stands at £17.288m:

	£m	£m
Actual General Balances at 31 March 2013		22.694
Less 2012-13 underspend to be used in 2013-14 as approved by County Council 18 February 2013		-1.159
Transfer from forecast 2012-13 underspend on Finance General in respect of County Council elections in May 2013		-0.650
2011-12 underspend to be used in 2013-14 in respect of Norfolk Citizenship approved by County Council 13 February 2012		-0.074
Transfer to Waste Contingency Planning earmarked reserve approved at Cabinet 2 December 2013		-4.000
Transfer of underspend		**0.477**
General Balances at 31 March 2014		**17.288**

5.9 The General Balance shown above has not changed since reported to Policy and Resources Committee on 14 July 2014.

Comprehensive Income and Expenditure Statement

5.10 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

5.11 The Balance Sheet statement sets out the financial position of the Council at 31 March 2014. 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.

5.12 There has been decrease in the net value of Property Plant and Equipment (note 13). The biggest factor in the decrease has been the removal of the value of school sites and buildings from the balance sheet when schools convert to academy status. There is a small increase in the value of Heritage Assets (note 14) which is due to increases in accounting valuations of windmills and wind-pumps exceeding the value of a disposal which relates to the surrender of a lease on one windmill.

5.13 The value of the Council's intangible assets (note 16) has decreased from £1.483m to £0.648m. This primarily represents depreciation, which exceeds additions of £0.371m during the year. Additions have included budget management and invoice management systems.

5.13 Long term investments (note 17) have reduced from £7.559m to £1.520m following repayments of amounts invested in Icelandic banks, in particular a final receipt of over £6m in respect of Landsbanki.

5.14 Inventories (note 18) have reduced mainly due to the removal of ESPO balances in line with paragraph 4.4 above.

5.15 The levels of both long term and short term debtors (note 19) have increased. Long term debtors have increased from £7.505m to £12.062m mainly as a result of increased amounts due from "other entities and individuals", including amounts due from Executors in respect of care costs. Amounts due from central government, other local authorities and other entities and individuals have all contributed to short term debtors rising from £74.254m to £118.707m. The biggest increases relate to significant amounts which were due from NHS England and other NHS bodies, received by the Council soon after the financial year end.

5.16 Cash and cash equivalents (note 20) have decreased from £70.146m to £49.497m due to a decrease in the amount of surplus cash invested on the money markets, and a negative cash balance at the end of the year. The negative balance is a notional overdraft because, for cash management purposes, group bank balances are combined with group cash in hand positive at 31 March 2014.

5.17 Unlike the previous year, there were no properties which met the detailed accounting conditions to be classed as an Asset Held for Sale (note 21). This is a reflection that a number of assets that would have fallen into this category were sold earlier than anticipated in March.

5.18 Total long-term liabilities shown on the face of the balance sheet increased from £1,435.606m to £1,469.258 due mainly to an increase in the Council's Pension Liability (Local Government Pension Scheme and Fire-Fighters Pension Scheme) with the reported deficit increasing from £823.518m to £867.002m (note 46, total of net liabilities). 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.

Cash Flow Statement

5.19 The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes. The statement shows any increases or decreases in cash and cash equivalents as discussed in paragraph 5.16 above.

Notes to the Core Financial Statements

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

5.25 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.

5.26 The "movement in reserves statement – adjustments between accounting basis and funding basis under legislation" (note 8) 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.

5.27 The Events after the Balance Sheet Date note (note 6) has been reviewed and updated to reflect Cabinet's decision on 7 April 2014 to terminate the Willows Energy from Waste contract. A Residual Waste Treatment Contract Reserve was set up in 2013-14 and amounted to £19.065 at 31 March 2014.

Fire Fighters' Pension Fund

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

Group Accounts

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

5.30 The group accounts are shown as a separate section in the statement of accounts. Due to the stage of accounts production at the time of writing, a small number of amendments may be made prior to the completion of the audit.

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

Pension Fund Accounts

5.32 These are the detailed Pension Fund Accounts, which are being reported to the Pensions Committee on 23 September 2014.

6. Accounting Adjustments

6.1 There have been no material adjustments to the accounts since the draft dated 30 June, and none are anticipated.

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

6.3 With the agreement of the auditors, adjustments and corrections have been made accordingly, and a number of disclosures added or enhanced. There has been no impact on the net assets of the Council reported since the draft dated 30 June.

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

Appendix 2

Annual Governance Statement for Norfolk County Council 2013-14

1 Introduction

1.1 The Accounts and Audit (England) Regulations 2011 require that:

- the Council must conduct a review at least once a year of the effectiveness of its system of internal control,
- findings of this review should be considered by the Council,
- the Council must approve an Annual Governance Statement and
- the Annual Governance Statement must accompany the Statement of Accounts. For Norfolk County Council (The Council) the Audit Committee undertakes these duties on behalf of the Council.

1.2 The Chief Internal Auditor reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reported to the Audit Committee on 19 June 2014 that, in his opinion, the system of internal control, including the arrangements for the management of risk during 2013-14, was acceptable and therefore considered sound. The Committee agreed with this opinion. This statement will be submitted to the Audit Committee for approval with the Statement of Accounts at the September 2014 meeting of the Committee.

2 Scope of responsibility

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

2.2 The Council has approved and adopted a Code of Corporate Governance consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on our website at www.norfolk.gov.uk or can be obtained from Mr. Peter Timmins, Interim Head of Finance, 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 2013/14, 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 County Council has complied with the Code of Corporate Governance and meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.

2.5 On 1st April 2013, the public health function became the responsibility of Norfolk County Council. The governance of these functions is fully incorporated into those of the Council, following a successful transitional year.

The County Council administers the Norfolk Pension Fund and the Norfolk Firefighters Pension Fund. The governance arrangements are statutorily prescribed. The Council complies with these requirements.

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

- Norfolk Records Committee,
- Norfolk Joint Museums Committee,
- Eastern Shires Purchasing Organisation (ESPO),
- Norwich Highways Agency Committee,
- Eastern Inshore Fisheries and Conservation
- Norfolk Parking Partnership Joint Committee and
- Great Yarmouth and Waveney Joint Health Scrutiny Committee.

In accordance with the regulations, all publish their own Annual Governance Statements, (which are available on their websites) except for Norwich Highways Agency Committee, the Norfolk Parking Partnership Joint Committee and Great Yarmouth and Waveney Joint Health Scrutiny Committee.

2.7 The County Council has several wholly owned companies, a part owned company and a Community Interest Company (CIC) described below.

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

2.9 Three other companies were established during 2011-12: Norfolk Energy Futures Ltd* and Hethel Innovation Ltd, which are wholly owned. For more information regarding these companies please refer to their websites at:

- http://www.norfolkenergyfutures.co.uk/
- http://hethelinnovation.com/

The Great Yarmouth Development Company Ltd, (previously known as Norfolk Regeneration Company Ltd to 23 May 2012), which is 50% owned by NCC, the remaining 50% is owned by Great Yarmouth Borough Council. During 2013-14, GYDC completed the construction of 19 homes for sale in Great Yarmouth with the aim of selling all of them in 2014-15.
*There was no material activity for Norfolk Energy Futures Ltd in 2013-14.

2.10 Independence Matters – a Community Interest Company (CIC), started trading on 1 November 2013. It is the first ‘spin out’ social enterprise to be launched by Norfolk County Council and saw over 600 staff transfer from Norfolk County Council’s Personal and Community Support Services. More information regarding Independence Matters please refer to its website at http://independencematters.org.uk/

3 The purpose of the governance framework

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

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

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

3.4 The NORSE Board includes a County Council Member and is currently chaired by the Acting Managing Director of the County Council. Another Member attends Board meetings as shareholder representative. The County Council holds control of the Group of Companies by way of its shareholding and the voting rights of the Directors.

3.5 The governance framework has been in place at the County Council, NORSE, Independence Matters, Hethel Innovation Ltd and the Great Yarmouth Development Company Ltd for the year ended 31 March 2014. The Head of Human Resources and Organisational Development has fulfilled the role of Managing Director (Acting) throughout the whole financial year. In March 2014, the Council appointed to the permanent position of Managing Director and the new appointee comes into post in August 2014.

Following the County Council elections on 4 May 2013 which saw a the council move from a majority Conservative administration to one of No Overall Control, new leadership and Cabinet was agreed and in November 2013 Full Council voted to review of governance arrangements with a view to introducing a Committee system. The new committee arrangements and appropriate changes to the council’s constitution were agreed by the County Council at its meeting of April 2014. These came into effect in May 2014.

4 The Governance Framework

The key elements of the systems and processes that comprise the Council's and NORSE's governance arrangements are described below. In drawing up this statement a wide range of officers have been consulted – See note 1 to this Governance Statement.

	Control	Effectiveness
4.1	Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.	The County Council continues to manage significant changes as a result of the economic downturn. During financial years 2010-2013 the Council responded to the financial pressures through a comprehensive review of its role and priorities. This review was subject to extensive consultation (the Big Conversation) to seek views on the overall direction of the County Council and achieved savings targets of £140M over the three years 2010-2013. With economic forecasts in August 2013 showing that financial pressures will continue and increase, in August 2013, following the Council elections, the Council reviewed its vision, priorities and spending proposals for 2014-2017 to take account of the significant and ongoing change. It engaged and consulted widely on them through the Norfolk: Putting People First, consultation exercise. In February 2014, when the Council set its budget it also agreed the new vision and priorities that form the basis of the Council Plan going forward. Those priorities reflect the areas where the authority feels that significant focus and improvement would help deliver most benefit for the long term health and well being of Norfolk and are described below in 4.2. Individual NORSE companies have separate mission, vision and value statements.
4.2	Reviewing the Council's vision and its implications for the authority's governance arrangements.	The administration has set a new strategic vision and set of priorities for the County Council going forward – which is entitled Norfolk: putting people first. This vision statement reaffirms the remit of Norfolk County Council as the democratically elected body representing everyone living in Norfolk and promotes the ambition for everyone in Norfolk to succeed and fulfil their potential. A review of the Council's Vision and its implications for the authority's organisational arrangements was set out in a report to the Council's then Cabinet on 4th November 2013, titled, Norfolk – Putting People First Transformation Programme. This set out the proposals for implementing an accelerated programme of organisational change for the Council and to approve the

	Control	Effectiveness
		organisational arrangements for the Council. Agendas and minutes for all public meetings are accessible on the Council's website and those meetings are well publicised. The Audit Committee considers the governance arrangements (as set out in this statement) are sufficient to fully support the Council's vision. The mission, vision and value statements of the individual NORSE companies are reviewed regularly and included in the annual business plan approved by the Board.
4.3	Translating the vision into objectives for the authority and its partnerships	To ensure the Council is always working in the best interests of the people of Norfolk, Members and Officers review its medium term plan (the County Council Plan) annually. The planning cycle incorporates a contextual and financial review reported as part of the annual planning framework. Our service objectives set out how we will deliver our priorities and Chief Officers have prepared service plans against these objectives identifying the planned actions, key milestones and responsible officers. Each service plan supports directly the corporate vision as set out by the County Council. Working with a range of partners and partnerships is core activity for the County Council and it is through that joint working with public, private and third sector partners, as well as with neighbourhoods, local communities and citizens, that the County Council will achieve its objectives. There has been significant change in the strategic partnership landscape over recent years reflecting the current policy direction for health & wellbeing, the economy and community safety. In March 2013 the County Council established the Norfolk Health and Wellbeing Board as a Council committee. The Board brings together a wide range of partners to provide strategic systems leadership on work to improve health and wellbeing in Norfolk. For 2013/14, the Council was represented as follows: Cabinet member for Public Protection (including Public Health) – representing the Leader of the Council, Cabinet Member for Community Services, Cabinet Member for Children's Services, Managing Director (Acting), Interim Director of Public Health, Interim Director of Children's Services, and the Director of Community Services. The 'New Anglia' Local Enterprise Partnership provides the strategic lead for developing a clear vision and set of economic priorities across Norfolk and Suffolk and the County Council is represented by the Leader of NCC, who sits on the Board.

	Control	Effectiveness
		The Countywide Community Safety Partnership provides strategic leadership of the community safety agenda in Norfolk and the County Council is represented by the Cabinet Member for Community Protection, Director of Community Services, Chief Fire Officer, Assistant Director Community Protection. In addition, the Norfolk Children and Young Peoples' Strategic Partnership Board has been newly set up to lead on the children's agenda and the County Council is represented by the Cabinet members for Education & Schools and Safeguarding, the Interim Director of Children's Services, Interim Director of Public Health, and Assistant Director (Early Help). In November 2013, in the light of the financial challenges currently facing public services, Norfolk and Suffolk County Councils' leadership agreed to explore opportunities for better joint working between the Councils - to look at issues where collaborative working could have practical benefits to both Norfolk and Suffolk County Councils and their residents. Four areas have been identified for collaboration – the New Anglia Local Enterprise Partnership (LEP) for Norfolk and Suffolk, to help escalate economic growth and create jobs; adult social care across Great Yarmouth and Waveney; customer contact and recruitment. This closer cross county working does not change the independent nature of the two Councils, both of which will retain their independent constitutions, decision making, accountabilities and responsibilities.
4.4	Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money	Performance is measured through the County Council's corporate performance management framework, which was agreed by Cabinet in May 2011. The framework reflects the challenges and changing role of the Council, a new government policy that reduced some government inspection, a drive to increase transparency and local accountability and removal of the National Indicators Set. It provides a balanced approach to performance reporting through a framework focussed on four themes: • Managing change • Managing resources • Quality and performance of services • Outcomes for Norfolk people. It places greater emphasis on efficiency and value for money measures, and the need to balance the demanding change agenda with continuing to deliver high quality essential services

	Control	Effectiveness
		as effectively as possible. Dashboards are used providing a summary of key performance indicators which focus on key areas agreed by Members and Chief Officers, together with the red, amber, green rating (RAG) ratings and direction of travel (DoT). They help focus attention on poorly performing areas and highlight areas of good performance. In 2013/14 they were used to enable Cabinet, Overview and Scrutiny Panels, COG and Departmental Management Teams to monitor the organisation's performance. These also formed the basis for reporting to the public and our partners. In 2014/15, the County Council will review and refresh this performance management framework to ensure its continuing alignment with the changing role of the Council and the challenges facing NCC including, for example, how best it supports the performance needs of the County Council's new committee system of overall governance (see section 7 below). The Boards for the NORSE companies include senior member and officer representation appointed by the Council to consider their performance.
4.5	Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	The County Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It includes clear communication protocols and clearly defines roles and responsibilities. The law requires us to have some of these processes, whilst others are a matter for the Council to choose. The Constitution link can be found on our website and includes all of these issues, including a scheme of delegation. The Council agreed to move from a Leader and Cabinet system to a Committee system with effect from the Annual General Meeting on 27 May 2014. Under a committee system decisions are made by all-party committees with membership reflecting the overall political makeup of the Council. The new Committee governance model for the County Council was developed by a cross-party group of Members and approved by the Council at its meeting on 28 April 2014. That Council also approved the new constitution. Under the new arrangements, decisions are taken by 4 Service Committees (Adult Social Care, Environment, Development and Transport (with an Economic Development Sub Committee), Children's Services and Communities Committees. There will be a Policy and Resources Committee, which will have a co-ordination role around the budget development process and the Council's business plan and monitors the Council's overall budget and performance. It

	Control	Effectiveness
		also has responsibility for corporate shared services including ICT, finance, communications and Human Resources and Organisational Development. Role descriptions for Members and the roles they undertake are clearly set out in the Constitution. Under the new Committee system, safeguards allow Full Council to take decisions instead of service committees in the following circumstances - • The Service Committee itself decides to refer the decision to Full Council • The Leader of the Council and the Managing Director (Acting) consider the issue to be of such significance that it should be made by Full Council • The decision commits the Council to spending over £100m. The new Constitution provides for delegation to officers and transitional arrangements to transfer the previous delegations to individual Cabinet members to the relevant Chief Officer following consultation with the relevant Committee Chairman/Vice Chairman. The new governance structures will be reviewed in November 2014. The External Partnerships Protocol, issued by the Head of Law, provides guidance for officers in the development and operation of partnerships. Built into that protocol is the specific responsibility for the Chief Officer/Lead Officer to ensure that any Member representatives understand the scope of their authority on the partnership and that the terms of reference of any partnership arrangement is explained to all Members who have an involvement with it. There is specific advice within the Constitution provide by the Head of Law, on the Position of County Council Appointees on Outside Bodies, which summarises the legal position of members and officers appointed to serve on outside bodies. NORSE has its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines actions which require prior approval of the Council.
4.6	Developing, communicating and embedding codes of conduct, defining the standards of behaviour for	The County Council's Constitution includes a Members Code of Conduct. Changes to the standards regime governing Members, including changes to the Members' Code of Conduct, have been introduced through the Localism Act 2011. All necessary changes were adopted from 1 July 2012.

	Control	Effectiveness
	members and staff.	Our Human Resources Shared Service produces a Standards of Conduct and Behaviour Policy for employees. It is published on PeopleNet which is available to all staff. It is provided to all employees on appointment and forms part of their conditions of employment. The Constitution Advisory Group reviews standing orders and all other aspects of the Constitution annually and recommends appropriate changes for the approval of the Council. For NORSE these areas are the responsibility of the Board and include written standards of conduct and behaviour.
4.7	Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality	The County Council's new Constitution was agreed on 28 April 2014. All elements of the Constitution were reviewed including the scheme of delegation and Contracts Standing Orders which, where appropriate, were amended. The Constitution sets out the decision making framework. Financial Regulations, Member Protocol on Contracts and Purchasing also form part of the Constitution. Financial Regulations provide the framework for how the County Council manages its financial affairs. Using information to allow the County Council to make well informed operational and strategic decisions is based on the underlying integrity and quality of the information held within the Councils key line of business systems. During 2013/14 the Council started to put new processes in place to enable the treatment of information within the systems to be seen as a corporate asset. This is fundamental in assuring our citizens that the Council takes it duty of custodian of their information extremely seriously and in creating a platform that is trusted across the Council as the 'one version of the truth' . During 2013/14 the Council obtained the accreditation of the NHS Information Governance Toolkit at Level 2, in line with the standard for all NHS organisations within England. The Council had to show evidence that the CareFirst information was held securely, being treated with due care, was integrity driven and had robust Data Quality processes in place. At the end of March 2014 the Council became accredited to Level 2, opening up integration with Health organisations within Norfolk. The Council's participation in the Norfolk Joint Museums Committee, where the assets belong to each of the partners, as well as the Norfolk Records Committee are examples of effective decision making in partnerships.
4.8	Reviewing the effectiveness of the framework for identifying and managing risks and	The Council has a risk management framework and policy which is reviewed every two years by the Audit Committee and significant changes are reported to and approved by the Council. Chief Officers regularly review the corporate risk register and

	Control	Effectiveness
	demonstrating clear accountability	report regularly to their relevant committees on their departmental risk registers. The Council is a member of the CIPFA benchmarking club. The club conducts an annual benchmarking exercise to test member organisations' performance against the major risk management standards, expectations of inspection bodies and criteria that inform the risk management element of the annual governance statement. All the governance issues identified through the preparation of this document had already been identified through the risk management process.
4.9	Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	The Council has an Anti-Fraud and Corruption Strategy, which is reviewed annually by the Audit Committee and was revised at the January 2014 meeting (Item 9). The Audit Committee champions Anti-fraud and Corruption and receives twice yearly a report on the effectiveness of the counter-fraud and anti-corruption framework and activities in the period and plans for future activities. These have been informed by recommendations and advice from Fighting Fraud Locally publications, from the National Fraud Authority, the Audit Commission's Protecting the Public Purse and our External Auditors. The National Fraud Authority was closed with effect from 31 March 2014 and its role has been distributed to various different bodies, including the new National Crime Agency, City of London Police, Home Office and Cabinet Office.
4.10	Ensuring effective management of change and transformation	Our Change Programme sees the County Council's large portfolio of strategic innovation, transformation and efficiency activities brought together into a coherent programme to ensure organisation-wide ownership of the changes required. The current Change Programme and its plans underpin delivery of the budget for 2014-17. The programme comprises a number of themes that take a strategic and cross-cutting focus on areas critical to the transformational needs of the organisation as well as delivering the efficiencies and budget savings required. The Change Programme is managed using industry standard portfolio, programme and project management techniques, facilitated by the Programme Office. This approach provides a consolidated view of the Change Programme and related risks and issues so that responses are corporately identified, prioritised and agreed through robust and consistent governance. Regular monitoring reports on the change programme will now

	Control	Effectiveness
		be provided to the Policy and Resources Committee as part of the Council's performance management framework. A Strategic Programme Board made up of Chief Officers oversees overall performance and risk management. Each element within the Change Programme is sponsored by a Chief Officer.
4.11	Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and , where they do not, explain why and how they deliver the same impact	The Head of Finance retired during the year and an Interim Head of Finance was appointed. That officer is the Chief Financial Officer for the County Council; he is a member of the Chief Officer Group where the decisions are made with respect to • the development and implementation of strategy • delivery and resourcing for the strategic objectives. He is actively involved in and can influence material business decisions through his membership of this Group, other groups and attendance at relevant Council meetings. He and members of his team are responsible for advising on • financial strategy and financial planning, in both the short and medium term, • financial planning, • risk management and • budgetary control and accountancy throughout the County Council. The finance function is resourced and fit for purpose and the Interim Head of Finance is qualified and has wide experience of local authority finance. The Council's financial management arrangements conform to the governance arrangements of the CIPFA Statement on the Role of The Chief Financial Officer in Local Government (2010). For NORSE the results are consolidated into the annual Statements of Accounts of the Council.
4.12	Ensuring the authorities assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and	The Chief Internal Auditor conducted his own self assessment following the publication of the CIPFA Statement on the Role of Internal Audit (2010). He concluded the governance arrangements, the role and the personal attributes of the Chief Internal Auditor are compliant with all five principles as laid out in the Statement. The Chief Internal Auditor receives all papers addressed to the Chief Officer Group and has a right to attend their meeting, on a need basis. The internal audit plan, as agreed on a six monthly basis with the Audit Committee, fully supports the Chief Internal Auditor in delivering his duties in compliance with the statement, both in

	Control	Effectiveness
	how they deliver the same impact	terms of the coverage provided through audit work and through time being allocated to ad hoc advice and support to Chief Officers as necessary and appropriate. NORSE employ their own internal auditor reporting to the Board. A three year Audit Strategy has been developed, and an annual audit plan is agreed within that strategy. The strategy is informed by the Group Risk Register and key risk areas identified by external auditors.
4.13	Ensuring effective arrangements are in place for the discharge of the monitoring officer function	The responsibilities of Monitoring Officer are included within the post of Head of Law, as described in the Constitution.
4.14	Ensuring effective arrangements are in place for the discharge of the head of the paid service function	The responsibilities of Head of Paid Service are included within the post of Managing Director (Acting), as described in the Constitution.
4.15	Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.	The Council set up an Audit Committee in October 2005. The main purposes of the Audit Committee are to: • provide proactive and effective leadership on audit and governance issues, • champion audit throughout the council, • champion risk management throughout the council, • consider the effectiveness of the anti fraud and corruption arrangements • review the effectiveness of the system of internal control. The Committee's minutes and agendas from its quarterly meetings are available on the Council's website. The website also includes general information about the Audit Committee, the councillors who sit on the committee and its structure. The Committee annually reviews its Terms of Reference and changes are approved by the Council. The NORSE Group Board performs the functions and duties of the Audit Committee for NORSE.
4.16	Ensuring compliance with	The Practice Director of Nplaw is the Council's Head of Law and the Council's Statutory Monitoring Officer. She seeks to ensure

	Control	Effectiveness
	relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	compliance with relevant laws and regulations. A protocol covering the role and functions of the Monitoring Officer is contained within the Constitution. The Monitoring Officer is a practising solicitor qualified for over 20 years. An Annual Report from the Monitoring Officer is reported every year to the June Audit Committee. For NORSE the Company Secretary performs this role.
4.17	Whistle-blowing and for receiving and investigating complaints from the public	Whenever a member of the public contacts the County Council to either complain or praise the Council, the contact is dealt with in accordance with our Complaints and Compliments Policy and Procedures. The County Council also has a well publicised Whistle-blowing Policy, available on its A-Z webpage and advertised throughout the Council. NORSE has its own published Whistle-blowing policy and welcomes customer feedback, as described in its quality systems page of it's website http://www.ncsgrp.co.uk/quality_systems.htm
4.18	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	Within Democratic Services there are dedicated roles to provide support to members including specific support to the Chairman of the Council. This recognises the importance of ensuring proper and effective support to members. The officers in these posts look after the practical needs of the Councillors, arrange training, keep an up to date register of interests and maintain the Gifts and Hospitality register. They also arrange travel and conference attendance for Members. A Member Support and Development Advisory Group steers all aspects of Member development. The Council holds the "Charter Plus" for Elected Member Development. The move to a new system of governance has been supported by a series of member workshops on the system of governance itself and committee specific sessions to make sure members are properly prepared for the new Committee system. Individual members are able to develop Personal Development Plans that identify training and development needs and ways of meeting them. HR Shared Service staff support them in this process. Induction, management and appraisal processes are used to identify and address development needs of Senior Officers. Within NORSE the Company Secretary is responsible for providing Directors with advice about their roles and responsibilities.
4.19	Establishing clear channels of communication with all sections of the	The County Council has a number of channels it uses to communicate with all sections of the community and encourage and enable people to influence and shape its services, policies and decisions. We publish a residents magazine which is printed

	Control	Effectiveness
	community and other stakeholders, ensuring accountability and encouraging open consultation	and delivered twice a year to every house in Norfolk, We publish Your Norfolk extra – an electronic version six times a on our website and directly to those who subscribe online. We target, through regular online magazines and newsletters, specific information to staff (generally and to managers), to business audiences and to Parish and Town Councils. We make good use of social media and ensure our website is fully accessible via mobile devices. We use our intranet to inform and engage staff, using online discussion tools such as Yammer and are active in many community forums. We update our website regularly with news and information and use customer insight to amend, change, remove or develop its content and make it easier to use in line with what our customers are telling us. People subscribe to alerts and updates so they know what is changing. Our online consultation tool – consultation finder lets people find out what consultations are underway, how they can take part updates people on how their feedback has been used. We manage on behalf of a partnership and regular make use of 'Your Voice' a 6,000 strong online consultation panel. We regularly tweet information and now have 15,400 followers, through our customer services centre we also engage with those of our customers who prefer to 'talk' to us in this way. We ensure our corporate consultations, such as that concerning the budget, are sensitive to the needs of people with differing needs, use a variety of channels including enabling telephone feedback via our customer services operations. NORSE provides information via their websites, staff newsletters, and local media. Feedback from customers is regularly obtained by large scale customer surveys.
4.20	Enhancing the accountability for service delivery and effectiveness of other public service providers	The County Council ensures the accountability and effectiveness of other public service providers in three main ways: • Working to ensure public service improvements through key partnerships. A notable example is our work with health services, Clinical Commissioning Groups and partners through Norfolk's Health and Wellbeing Board to coordinate a collective response to identified health and wellbeing issues. This may include service re-design, commissioning, collaboration and integration of services, lobbying and holding to account. The County Council oversees practical arrangements for the Board and when the Board was set up, Members agreed to focus on driving more effective integrated health and social care services, the wider services which impact on health and wellbeing, and holding each other to account for progress A

	Control	Effectiveness
		similar example is the Council's involvement with the Norfolk Community Safety Partnership with key public safety services and agencies. • Through strategic agreements with key partners for the delivery of services on the Council's behalf. An example of this is the provision of community learning disability services with Norfolk Community Health and Care. The Council sets out clear quality and performance expectations, linked in many places to customer feedback, and this information forms part of the Council's regular performance reporting. • Quality assurance of independent sector providers. Wherever significant elements of the County Council's statutory duties are commissioned from independent sector providers we systematically quality test and assure these services. This includes assessment of providers of public health services and adults and children's social care. Where performance or quality issues are identified we require that improvements are made and reported on. There are quality assurance functions in each main department, and the performance of provider delivered services is reported to members through monitoring reports. Section 7.5 outlines steps taken to manage performance of commissioned services.
4.21	Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements.	Working with a range of partners and in and through partnerships is central to the way the council operates and we actively seek commission and provide services in partnership with other organisations. The Audit Commission produced a report suggesting some key points to help ensure good control within partnerships. The County Council follows these guidelines with its partners and has developed a corporate approach to partnership governance based on the Audit Commission recommendations. Corporately, resources for partnership management include a health-check tool, (developed by the then Cabinet Scrutiny Committee) which covers the issues identified in the Audit Commission report. The Corporate Planning and Partnerships Service provides hands-on project capacity to implement consistent governance standards across key significant partnerships and ensure they

	Control	Effectiveness
		continue to be productive, efficient and effective.
4.22.	The specific arrangements with respect to NORSE are set out opposite	• The Board is responsible for management of internal control throughout NORSE. A Senior Member of the County Council represents the Council on each Board of the Group and its principal subsidiaries. The Board is currently chaired by the Managing Director (Acting). • Another Member attends Board meetings as shareholder representative. The County Council holds control of the Group of Companies by way of its shareholding and the voting rights of the Directors. • The Company Secretaries advise the Boards of their responsibilities and ensure that the relevant statutory returns are completed. Annual General Meetings have been held during the year for NORSE and all the companies. • The Board is responsible for considering the required internal audit coverage for the Group. The Group employs its own internal auditor, and the Board review and agree a rolling 3 year audit plan. NAS audit the “client side” of the Companies as part of the Council’s own audit plan. • Grant Thornton provided the external audit services to NORSE for the year ended 31 January 2014. • An interim report for 2013-14 was presented to Cabinet in January 2014, covering actual results for the first half-year and updated forecasts for the rest of the year. A Final report will be presented to the July 2014 Policy and Resources Committee meeting. • Performance measuring systems, both financial and non-financial, are in place for all the Company Boards. • A full business risk register is reviewed regularly by the Board. More detailed specific registers are maintained by the principal subsidiaries, and reviewed twice yearly by senior managers. • Annual budgets are approved by the Board and progress against these budgets is reported monthly to senior managers of the organisation and quarterly to the Board, the Shareholder Committee and the Council’s Interim Head of Finance. • Quality assurance and management systems are in place designed to meet BS EN ISO 9001:2000 which is subject to independent review by external assessors twice every year. • NORSE has a Policy statement on Health & Safety which has been communicated to employees. The Board receives a quarterly report on Health and Safety which includes details of Reportable Accidents and trends in Health and Safety

	Control	Effectiveness
		statistics. All subsidiary Boards also consider specific Health and Safety Plans at least annually. • Environmental management is championed at Board level and ISO 14001accreditation is in place or actively being sought. • Annual appraisals are undertaken for all managerial, technical and administrative staff.
4.23.	Hethel Innovation Ltd	• The Board is responsible for management of internal control throughout Hethel Innovation Ltd. A Senior Member of the County Council represents the Council on the Board of the company, which is chaired by Mr David Tate the Chairman of the Hethel Engineering Company. • Regular management meetings (including NCC representation) and quarterly Board meetings are used as a mechanism to monitor the revenue and capital expenditure of the significant build which was completed in April 2014. • An internal audit took place in June 2013. It was concluded that controls in place were ‘acceptable’. • The Department for Communities and Local Government (DCLG) provided external audit services to Hethel Innovation Ltd on a regular basis. In connection with the European Regional Development Fund (ERDF) grant received. Hethel Innovation Ltd’s accounts do not require external audit and the Board have agreed that one is not necessary • Performance measuring systems, both financial and non-financial, are in place with management meetings and the Board the platforms for discussion. • Risk management arrangements are reviewed and discussed at Board and management meetings. • Annual budgets are approved by the Board and progress against these budgets is reported monthly at Senior Management meetings, quarterly to the Board. • HIL has a Policy statement on Health & Safety which has been communicated to employees. • Regular staff performance reviews take place.
4.24.	Great Yarmouth Development Company Ltd	• The Board is responsible for management of internal control throughout Great Yarmouth Development Company Ltd. A Senior Member of the County Council represents the Council on the Board of the company, which is chaired by Cllr Bernard Williamson of Great Yarmouth Borough Council. • Regular management meetings (including NCC representation) and Monthly Board meetings are used as a

	Control	Effectiveness
		mechanism to monitor the revenue and capital expenditure. . • Details of the GYDC have been reported to Cabinet as part of the Norfolk Infrastructure fund update and ongoing capital monitoring • Annual budgets are approved by the Board and progress against these budgets is reported monthly at Board meetings.
4.25.	Independence Matters Community Interest Company	• Governance of Independence Matters is achieved through direct member and officer involvement in the key corporate structures, as explained further below. • Independence Matters is managed by two Boards – an Enterprise Development Board (EDB) and a Social Enterprise Board (SEB). The respective functions and responsibilities of each of these boards are explained further below. • The EDB exists to support stakeholders in achieving the outcomes described in the service specification and to establish the enterprise as a viable new service provider capable of competing and operating independently in the care market. • The EDB is chaired by the Council's Director of Community Services. It also contains the Council's Member lead with responsibility for Adult Social Care and one other elected member. • In addition, the EDB also contains two senior Council officers with relevant responsibilities as well as the lead Commissioner, the Finance Business Partner for Adult Social Care, the Managing and Commercial Directors within Independence Matters and one UNISON representative. • The SEB has ultimate responsibility for the company, including determining strategy and hiring senior executives. • Annual budgets are approved by the SEB and progress against these budgets is reported to them on a quarterly basis. • The SEB is chaired by an independent non-executive director, and two other non-executive directors have roles on the board. The non-executive directors are appointed for a three-year period, with the option of reappointment once only. They are expected to bring relevant commercial experience while still retaining the Community Interest ethos. • In addition, the SEB includes the Managing and Commercial Directors within Independence Matters, the Finance Business Partner for Adult Social Care, two staff representatives and two stakeholder representatives. • The staff and stakeholder representatives on the SEB are nominated from advisory boards run by staff and stakeholders respectively.

Control	Effectiveness
	• These advisory boards have the role of providing feedback on service provision and service development plans, as well as providing representation on the SEB. • The SEB is responsible for considering the required internal audit coverage for the company. As part of their contract with the County Council, Independence Matters has the opportunity to take advantage of the knowledge and expertise of the Council's internal audit department. • The first Independence Matters AGM is planned to take place on 11 September 2014. Accounts for all trading up to 31 March 2014 will be made available at the AGM. An accompanying annual report is currently in the draft stage and it will be presented to the SEB for sign-off on 10 June 2014. • Performance measuring systems, both financial and non-financial, are in place for the SEB. Monthly reports are produced that relate to the key performance indicators within the contract with the Council. • There is a performance dashboard for 'hard' KPIs, and a 'soft' outcomes dashboard is in development in conjunction with the Joint Commissioning team. • A full business risk register for Independence Matters is currently in development. • Independence Matters uses the Council Health & Safety policy, and this has been communicated to all staff members. The Quality & Compliance director has responsibility for leading on this area, and management are aware of their responsibilities under the policy. • Annual appraisals are undertaken for all managerial, technical and administrative staff. • Independence Matters has a Quality Assurance framework where sample checks are carried out quarterly by the QA Director. Service Managers have a dedicated quality audit tool that they are using on a quarterly basis. • All services within Independence Matters are required to adhere to Care Quality Commission standards. Non-regulated services are attached to a regulated service using a 'buddy' system to ensure that this happens. • Independence Matters is working towards ISO 9001 compliance. • The creation of the risk register will highlight any aspects of business where there is an environmental impact. The relevance of using ISO 14001for our support and care services will be considered as part of the process.

5 Review of the effectiveness

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

That review is informed by:

- The work of the executive managers within the County Council who are responsible for the development and maintenance of the governance environment
- The Chief Internal Auditor's annual report
- Comments made by the external auditors and other review agencies and inspectorate
- Systems and controls of the County Council as outlined in paragraph 4.

Responsibility for this annual review has been delegated to the Audit Committee.

Paragraph 5.7 sets out the review mechanism for NORSE

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

5.1 The Council & the Executive

	Process	Comment
1	Statutory roles of Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.	• Members have received the full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. • An Annual Internal Audit Report from the Interim Head of Finance/Chief Internal Auditor is made to the Audit Committee. • An Annual report of the Monitoring Officer is made to the Audit Committee. • Approval of the annual Statement of Accounts is by the Audit Committee. • There is an annual review of the Constitution and other key policies and strategies (The Policy Framework).
2	Risk Management policies and procedures are in place to ensure that the risks facing the Council in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.	• The Council approved 'Well Managed Risk Management' its Risk Framework and Policy in 2010. They were reviewed and updated in 2012/13 and the updates were approved by Full Council. The Audit Committee, established in 2005, has responsibility for governance arrangements for risk management. • The embedding of strategic risk management into business activity continues throughout the County Council. • Corporate and departmental risk registers are in place and being used by managers as a management tool. Reporting of risk management activity to Members is

		embedded; for instance risk registers are regularly reported to the Audit Committee and Committees. • A risk management e-learning package for Members and officers has been developed and is available to all Members and staff. This complements the existing training available through HRSS Learning & Development and Organisational Development Centre of Expertise. Insurance policies and funds are in place and are regularly reviewed at least annually to ensure the Council is adequately safeguarded. • Under the Fire and Rescue Services Act 2004 (The Act) Norfolk County Council is the statutory Fire and Rescue Authority (FRA). • The Act makes it a statutory requirement for the Fire and Rescue Authority to produce an Integrated Risk management Plan (IRMP). • Norfolk FRA published its IRMP for 2014-2017 in April 2014. This document can be found at [NFRA IRMP 2014-17]
3	Provision of effective, efficient and responsive systems of financial management.	Regular financial management reports have been made to Cabinet and the five Overview and Scrutiny Panels. Going forward, regular reports will be made to the established Service Committees. The Council is currently rolling out a new 'Budget Manager' system, which builds upon the Council's Financial Management Information System, to support budget holders to interrogate their financial information more efficiently.
4	Delivery of services by trained, skilled and experienced personnel.	The County Council has demonstrated its commitment through its Investors in People (IiP) accreditation. The County Council is undertaking IiP through an ongoing internal review process which is verified by an external assessor. These include induction, management and appraisal processes to identify and address development needs of staff. Customer Service operations via our service centre continue to hold Cabinet Office accreditation for excellence in customer service delivery and this is reviewed annually.
5	Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where	The County Council Plan 2012-2015 sets out the Council's strategic ambition and priorities. It is a framework for monitoring performance against the Council's strategic priorities in order to provide clear accountability to the people of Norfolk for the Council's performance.

appropriate.

The County Council's ambition and priorities were updated during 2013 (see 4.1 and 4.2 above). They set out the areas of the Council's business where it needs to make the fastest improvements to secure Norfolk's long term future. Details are available on the website at http://www.norfolk.gov.uk/view/ncc090911

The Council's performance framework provides a broad assessment of organisational performance covering four themes: managing change; managing resources; quality and performance of services; and outcomes for Norfolk people. We use our performance management system to produce regular reports on performance indicators against the improvement areas identified to the Chief Officers Group, Cabinet and the Overview and Scrutiny Panels. (In future these will report to the Service Committees).This ensures that performance is routinely monitored, with issues of concern being highlighted.

Remedial action has been implemented following publication of three Ofsted inspections over six months in 2013, which found services across the County Council to be failing in their delivery of services to children.

In June 2013, the Council made the decision to engage swiftly the interim services of strong, experienced Children's Services leadership with the capacity and capability to secure children's safeguarding and drive forward strategic improvements at pace.

The leadership team's principal focus is to get the basics right, tackle performance in the department, build successful partnerships with other agencies and organisations and deliver effective leadership and management across services.

Members approved additional investment and an intensive three month programme of work to 'pump-prime' improvement at the front line urgently. A wide range of other actions, including a review and changes to partnership working, refreshed children and young people's engagement strategy and Member development followed.

The Council's improvement plan for children's services and the revised children and young people's plan sets out the key targets, actions and milestones for improvement and is available for inspection on the Council's website and regularly reported via the Improvement Board and to Members. A suite of operational improvement plans are also in place that focus specifically on early help, safeguarding, looked after children and supporting school improvement.

Significant progress has been made which includes the development of a systematic process for managing performance. Practice standards for the conduct of social work staff has also been put in place with a strong emphasis on the engagement of children and young people.

Through rigorous performance monitoring and external peer review, the quality of practice has improved and this is clearly evidenced. It brings delivery nearer towards Norfolk County Council's ambition to deliver not just good but outstanding services for Norfolk's children, as set out in the Children and Young People's Plan, which can be viewed at http://inet.norfolk.gov.uk/view/INET142728

5.2 Cabinet Scrutiny Committee, Audit Committee, Overview and Scrutiny Panels and Pensions Committee

The scrutiny function is carried out and developed through the Cabinet Scrutiny Committee, the Audit Committee, the five Overview and Scrutiny Panels and the Pensions Committee.

The Council agreed to move from a Leader and Cabinet system to a Committee system with effect from the Annual General Meeting on 27 May 2014. Under a committee system decisions are made by all-party committees with membership reflecting the overall political makeup of the Council, as described in 4.5 above. Under the Committee system, there is no executive/scrutiny split such as described by this statement's format. Committees debate, challenge and make decisions. The need to make sure that decisions are robust and that members are sufficiently challenging and have the appropriate level of support and information was clearly understood and made part of the member training programme delivered prior to the new system going live. Councillor Paul Smyth was Chairman of the Committee Governance Steering Group which developed and tested the new Constitution.

The Pensions Committee and the Audit Committee continue in their current roles.

5.3 The Standards Committee

The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.

The Committee met twice during 2013-14. Its business included:

- A review of the standards complaints received during 2013
- A reminder of the purpose of the Register of Counsellors' interest, following on from the new

guidance issued by the Department for Communities and Local Government (DCLG) in September 2013

- A House of Commons Library Report on the standards regime in Local Government in England, post implementation of the Localism Act 2011. The report was published in April 2013.

5.4 Chief Financial Officer

The Head of Finance is the Chief Financial Officer (CFO) for the Council

The financial management arrangements conform to the CIPFA 2010 statement on the role of the CFO.

5.5 Internal Audit

Internal Audit provide independent and objective assurances across the whole range of the Council's financial and non-financial activities

- Terms of reference for the Audit Committee are reviewed annually and changes approved by the Cabinet and the Full Council.
- The Audit Committee receives an Annual Report on the delivery of the Internal Audit Plan and the assurance opinion at its June meeting.
- The External Auditor is able to place reliance on the work of Norfolk Audit Services and has assessed that Internal Audit provides an effective service overall.
- Norfolk Audit Services is continuing to develop its work programme such that resources are allocated based on a systematic assessment of all areas of risk facing the Council in carrying out its functions. Two findings were identified through internal audit work with regards to the system of internal controls and these have been reported in detail in section 7 of this statement.

5.6 Other explicit review/assurance mechanisms

1 External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.

- The overall key message in the Audit Commission's Annual Audit Letter in October 2013 (available at http://www.norfolk.gov.uk/view/ncc126781) was that an unqualified opinion was issued on the Council's accounts for 2012-13.
- The County Council was also given an unqualified 'Value for Money' opinion, within the Annual Audit Letter.
- The County Council complies with the Accounts and Audit (England) Regulations 2011.

2 Codes of practice are issued by external bodies in respect of Council services and processes, with which the Council is expected to comply.

- The County Council complies with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 (revised).
- The County Council has adopted the CIPFA Treasury Management in Public Services Code fully revised second edition 2009.
- Norfolk Audit Services has implemented the UK Public Sector Internal Audit Standards, which came into effect on 1 April 2013. Norfolk Audit Services has employed an external contractor to assess NAS' levels of compliance with the new requirements. All findings have been addressed during the year, such that NAS is now fully compliant with the provisions of the new standards.

3 Reviews by external agencies and inspectorates, which would encompass most major services, and other specific external evaluations, for example, the Local Government Ombudsman and Health & Safety inspectorates.

- The County Council has been subject to 3 significant inspections of Children's Services. These are; Arrangements for School Support, Safeguarding and Children in Public Care. Improvements plans are in place and tracked through as assurance processes.
- Food Standards Agency regular audit of Trading Standards service in respect of the Council's strategy, implementation, data and processes for animal feed hygiene and food safety activities. Overall, audits recognised the robustness of existing processes and controls. Some low level recommendations suggested improvements in ways of working (data capture) which are being addressed and will be assessed during the next audit.
- Inspection by the Interception of Communications Commissioner's Office in relation to the acquisition of communications data under Part I Chapter II of Regulation of Investigatory Powers Act 2000. Inspector found the Council had a good level of compliance with the Act and Codes of Practice. No formal recommendations for action were made.
- Inspection by the Surveillance Commissioner in relation to covert activities in preventing and detecting crime. Our processes and justification for authorisation of surveillance was found to be of a high standard.

- Various audit and inspection activities in relation to granting and management of <u>external funding</u>.
- For example, the Leader programme of EU funding for 2007-14 was delivered through the Rural Development Programme for England by the Council's economic development service. This included regular inspections and audits of documentation by the Department for Environment, Food and Rural Affairs. No issues have been identified and no funding has been withdrawn.
- Another example is significant assessments by Government departments in advance of funding allocations, for example funding for the Postwick Hub scheme was subject to a full approval appraisal led by the Department for Transport, providing assurance that relevant arrangements are in place in terms of governance, business case, value for money etc, before the funding was allocated to the scheme by Government.
- Annual inspections by external accreditation bodies confirmed meeting standards required to achieve United Kingdom Accreditation Service (UKAS) accreditation status. Relates to the highways laboratory and trading standards weights and measures services, where accreditation status has been successfully maintained.
- Annual review/inspection of the historic environment service in terms of its status as a Registered Organisation by the Institute for Archaeologists, the body responsible for professional standards in archaeology. Inspectors recommended improved recording of informal in-house training and encouraging greater Institute for Archaeologists membership amongst staff, both of which have been addressed.
    - County Council's 'O' licence – the operator licence needed to be able to operate heavy plant for business use – was assessed by the Traffic Commissioner. We have an Operator Compliance Risk Score (OCRS) of 'green 00' for Roadworthiness (the highest possible score) and 'Nil Score'

for traffic (reflecting that we have had no enforcement encounters or issues).

- o Fast Lane Training Service – who provide highways service related training – are registered with a number of national awarding bodies: City and Guilds, Cskills, Lantra, JAUPT (Driver Standards Agency), SQA and HCTA. External quality assurance inspections by these bodies have resulted in retention of awarding body status. In addition, staff in the casualty reduction team, who provide training services (e.g. driver training), undergo standards checks by the Drive and Vehicle Standards Agency to maintain training authorities – no issues identified.
- o Contractors commissioned to carry out services on our behalf are also subject to some external inspections. For example, household waste recycling centres are subject to inspections by the Environment Agency in respect of the Environmental Permit they operate under.
- o The PSN allows the UK government to safely and securely enable and share public services effectively and efficiently. The PSN compliance must be renewed annually to ensure that Norfolk continues to take advantage of secure email services. A third party company was contracted last year which undertook a "Security Health Check" against NCC's ICT infrastructure. This highlights any potential vulnerabilities within the software or devices used in the authority. Recommendations were reported to ICT Shared Services with guidance and resolution steps to mitigate any risky areas of the ICT infrastructure.
- o The ICT teams addressed the reported vulnerable areas and submitted the report back to the Public Services Network Authority (PSNA). Areas of the network which require attention,

but managed by BT are currently being discussed and resolutions are being planned. Norfolk County Council is currently PSN compliant and this is due to be renewed during January 2015.

- There have been two external evaluations which have noted improvement validated the risks and highlighted capacity to continue improvements.
- There have been two external evaluations on specific Children Services service provision, which have noted improvement, validated the risks and highlighted capacity to continue improvements.

Peer reviews

- Peer reviews of major infrastructure projects – Gateway Review of Norwich Northern Distributor Road and Postwick junction schemes carried out by Local Partnerships (an organisation jointly owned by HM Treasury and the LGA). The review recognised wide ranging support for the project and the significant progress made in advancing delivery. It also identified some areas for improvement, which have subsequently been addressed.
- Earlier this year Community Services commissioned a peer review from the LGA of our safeguarding of vulnerable adults to test our practice and the review took place in April. The external reviewers assessed our safeguarding arrangements as sound and concluded that adults are safeguarded in Norfolk. However, there are improvements to be made and we will driving them forwards over the coming year, focusing on overhauling our Safeguarding Board and making sure we deliver the outcomes people want from the safeguarding process. Progress will be reported to the Council on a regular basis.

Fire and Rescue

- Fire and Rescue Authorities must provide both local communities and the Government with an annual statement of assurance on financial, governance and operational matters.
- The Outcome of the 2014 Peer review provided as platform to complete the Statement before the end of March 2014.
- Norfolk Fire and Rescue Service (NFRS) must demonstrate it is doing what the Government expects of it, as laid down in the National Framework for Fire and Rescue Authorities 2012 and that it is delivering the local Integrated Risk Management Plan.
- The Annual Statement of Assurance for 2013/14 can be found at NFRA Annual Statement of Assurance 2013-14
- Fire and Rescue Service Peer challenges are managed and delivered by the sector for the sector. They complement the industry standard Operational Assessment (OpA) OpA Toolkit with a 'sector-delivered' peer challenge once every three years.
- Details of the review programme can be found at Fire Peer Review.
- Launched in 2012, 31 FRSs have participated to date including Norfolk early in 2014.
- The Review found the services self assessment to be robust.
- It is expected that the outcome of Peer Reviews are made publicly available.
- The Review has been published on the Norfolk Fire and Rescue Service website and can be found at NFRS Peer Review Report 2014

Other Independent Reviews

- An independent report was commissioned from a former Chief Executive, Mr. Tim Byles to examine whether the information provided to elected members of the council concerning the costs of redundancy for the former Chief Executive, David White, was misleading.
- The report concluded that the payments made to the former Chief Executive were reasonable and fully

reflected in the annual accounts. It found that the Council had not been misled about the payments but that the report it received could have been clearer and should, in similar circumstances in future, include all payments including actuarial strain and National Insurance costs.

- The Council has since ensured that such details are published clearly at the time of any such departure.
- Three independent reviews were commissioned regarding the decision making around the Willows Incinerator project
  - Mr. Jonathan Acton Davis QC concluded that there had been no governance weaknesses and that "...following my critical examination of all the material with which I have been provided and my review of the advice given at each stage, I can find nothing to lead me to conclude that any undue risk was taken…I can identify no areas in which I can see potential scope for the holding to account of Officers..I have seen nothing which would enable me to conclude that the Cabinet exceeded its authority in authorising the Contract.'
  - PwC conducted an Independent Review of Alternatives by PWC, December 2013 available at http://www.norfolk.gov.uk/view/NCC130363
  - The terms of reference for the independent inquiry to be carried out into the residual waste project by Stephen Revell, the Independent Person to the Authority's Standards Committee, have been published at http://www.norfolk.gov.uk/News/NCC149034

5.7 Review Mechanisms for NORSE

NORSE activities review mechanisms include

Quarterly Board meetings receive reports on all aspects of the Business.

The Board includes a senior Member and is chaired by the Managing Director (Acting) of the Council.

Board meetings are also attended by the shareholder representative.

The Shareholder Committee receives quarterly reports on the activities of the Companies.

All Board Papers are sent to the Council’s Head of Finance, who has a standing invitation to Board meetings, and also to the Monitoring Officer.

Norse Board approved internal control arrangements in July 2011, as part of a review at the time of the introduction of the Bribery Act.

The services provided by Norse Care are subject to external audit by the Care Quality Commission.

5.8 Review Mechanisms for Hethel Innovation Ltd

HIL activities review mechanisms include

Quarterly Board meetings receive reports on all aspects of the Business.

The Board includes a senior Member and a senior officer of the Council and is chaired by Mr David Tate Chairman of Hethel Engineering.

Senior Management meetings include NCC representation.

The activities undertaken by Hethel Innovation Ltd are subject to external audit by the Department for Communities and Local Government (DCLG) in connection with the European Regional Development Fund (ERDF) grant received.

5.9 Review Mechanisms for Great Yarmouth Development Company Ltd

Great Yarmouth Development Company Ltd activities review mechanisms include

Monthly Board meetings receive reports on all aspects of the Business.

The Board includes a senior Member and a senior officer of the Council and is chaired by Cllr Bernard Williamson of Great Yarmouth Borough Council.

Senior Management meetings include NCC representation.

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

IM CIC activities review mechanisms include	Quarterly Enterprise Development Board (EDB) meetings measure the success of the business in meeting the outcomes laid out in the service specification. Quarterly Social Enterprise Board (SEB) meetings receive reports on the operational and financial aspects of the Business. The EDB includes one senior member and one other member of the Council, as well as a number of senior Council officers and one UNISON representative and is chaired by the Director of Community Services. By virtue of member involvement, the EDB has responsibility for making recommendations to full Council as necessary regarding Performance Notices or Remedial Action Plans. The SEB contains three non-executive directors, one senior Council officer, two staff representatives and two shareholder representatives and is chaired by an independent non-executive director. Two other non-executive directors have roles on the Board. The services provided by Independence Matters are subject to external audit by the Care Quality Commission.

6 We have been advised on the results of the review of the effectiveness of the governance framework by the Audit Committee and that continuous improvement of the systems is in place.

7 Significant governance issues

The Authority faced a challenging year in 2013/14 as it sought to manage simultaneously budget reductions, increasing demand for some key services and consolidate significant changes to systems, structures and services made in previous years and ongoing throughout the year.

The Authority has a strong track record of financial management and achieving significant cost reductions and service re-alignments and has developed plans to address future funding challenges. The environment for 2014/15 and beyond will continue to be extremely challenging with a need to bridge a funding gap of £145.5 million over the Medium Term to 2017-18. In addition to that gap, the Willows Energy from Waste contract was terminated in May 2014 by the then Cabinet, on the recommendation of Full Council on the grounds of planning failure, following the withdrawal of £169m of waste credits by Defra and the failure of the Secretary of State to make the promised decision on the 14th January 2014. The estimated costs of contract termination are £33.7m and funding for this has been identified from reserves and planned savings.

The Council has agreed a three-year rolling budget to help ensure and maintain strategic focus and grip in the face of a continuingly severe funding picture for local public services.

Norfolk County Council has agreed a new strategic partnership to transform its aged ICT infrastructure, radically improve its ability to interrogate and use information internally and across other public sector partners to transform service delivery and support the delivery of more savings. The resultant programme, Digital Norfolk Ambition (DNA), involves stakeholders across the Norfolk public sector community. It is exciting and ambitious and its successful delivery is therefore critical to the whole organisation. A DNA programme board is in place and reports through the Chief Officer Team as part of the council's programme management approach.

County Council elections in May 2013 resulted in a change in Administration with no overall majority and a new Council Leader elected on 23rd May 2013. In November 2013, Norfolk County Council resolved to change from the Leader and Cabinet system of governance to a Committee system of governance, with the key purpose of this change being to involve the majority of elected councillors in decision making at Norfolk County Council. The Committee system became effective in May 2014 and is now bedding in. This change is particularly significant at a time where no political party owns an overall majority at Full Council.

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

7.1 Information Security

Issues have been highlighted in previous years with regards to the need to strengthen corporate governance to improve information security and data protection.

An Information Management Service has been established and is being embedded within the Council. Significant steps have been taken to strengthen awareness and compliance with the corporate Information Security Policy. However, recent reported breaches of the

Data Protection Act show that more needs to be done to fully embed good practice with regards to the security of paper documents.

Awareness and training campaigns and additional in-built controls have been successful in strengthening the security of electronic data and these continue.

7.2 Asset Management – Buildings

Internal audit reports and independent reviews have identified that controls need strengthening in order to maximize the return on investments from our existing capital assets, either in the form of maximizing the usage of available accommodation by the Council's services, or in terms of better controlling the income stream that results from the exploitation of our capital assets. Stronger control would enable the Council to reduce overall property costs and increase the scale and speed at which capital receipts are generated.

A need has also been identified for better controls in the management of the capital programme in terms of the prioritization of capital projects and coordination of the delivery by third parties.

Towards the end of 2013-14 the Council took action to strengthen its asset management function within the corporate finance team. This involved strengthening the overall management of capital assets, including a more structured relationship with third party providers and a review of internal governance arrangements for the management of properties. On14 April 2014, the then Cabinet approved an Asset Management Plan for 2014-17. This sets out the plan to manage the Council's assets, and support the delivery of the Council's 2014-15 revenue and capital budgets over the short and medium term. Going forward the Asset Management Plan will be refreshed annually on a roll-forward basis.

7.3 Delivery of Services through third parties

A significant proportion of services – including services critical to the public – are delivered through third parties.

The Head of Procurement has overall responsibility for procurement of third party contracts and reports to the Interim Head of Finance, a member of the Chief Officer Group.

During 2013/14, the procurement team and commissioning colleagues from children's services and the integrated adult commissioning team co-located to strengthen joint working throughout the commissioning cycle, including the letting of contracts and their subsequent monitoring. The council is formalising this arrangement into a 'commissioning hub' to support more-integrated commissioning across the council.

A corporate register of all contracts valued at over £50,000 has been put in place and is used to support the planning of procurement activity.

The council successfully defended the case of *Turning Point Limited v Norfolk County Council* (which revolved around the council's tendering approach) in May 2012 but subsequently took the opportunity to review its tendering processes. The revised processes were thoroughly tested in 2013/14, when the council delivered a series of major contracts – for highway works, highway professional services, traffic signals and ICT – through the competitive dialogue process.

Lord Young, the Prime Minister's adviser on enterprise, awarded the council a prize for *Best Council to do Business With* in May 2013.

The Council has taken steps to address control weaknesses around the accreditation of adult care providers which were identified in an internal audit report and will incorporate the lessons learned into accreditation of providers in other spend categories. It also recognises that there is currently an issue - in a minority of cases - with purchase orders not being placed at the time when a spending commitment is entered into, and is taking steps to address this issue.

During 2013/14, significant performance issues arose in the delivery of certain adult social care services by third parties and necessitated strong council action. These were:

- a package of domiciliary care contracts awarded to Care UK Limited, where there were significant performance issues around the time of transition from the former provider. Contracts providing services for just over 200 people in the Broadland area are to be re-let after the current provider Care UK and Norfolk County Council agreed to terminate their contracts in that part of the county in June 2014; and
- contracts for mental health and drug and alcohol recovery services, with the Norfolk and Suffolk NHS Foundation Trust (NSFT).

In the former case, senior Council staff, including the Head of Procurement and Director of Integrated Commissioning, are overseeing the strategy for domiciliary care tendering to ensure that future contracts are less vulnerable to failings of this kind and the Adult Social Care Service engaged users to gain further insight into quality issues and enhance the quality monitoring.

The difficulties being encountered by the NSFT are a significant concern to the council, as they are a significant provider to the Council but also a major player in the local health economy, with whom many of the council's clients have contact. The Council has given notice on an agreement for provision of mental health services by the trust and the services will be brought back in house. The Director of Public Health, supported by the Head of Procurement, is overseeing delivery by the trust of an improvement plan for the drug and alcohol recovery contract.

7.4 ICT Business Continuity

The Council's email system suffered a fault over the 2014 Easter weekend with about 2000 staff, a third of users, affected. Business Continuity Plans were effectively invoked throughout the Council, such that the delivery of critical services was not affected. Further assessment of this will be made and reported appropriately to the Policy and Resources Committee by the Resilience Team.

As a result of the fault, approximately 2,000 members of staff could not use their email account to send or receive any internal or external emails for a total of 7 working days, despite all efforts from the Council ICT team and specialists brought in from Microsoft and Hewlett-Packard. There was no loss of data and key business systems including Carefirst were not affected, however, Outlook Calendar functionality was impaired for those affected.

The longer term mitigation is set out in the risk registers, where the risk of loss of key ICT system is documented. The key point is that implementation of the DNA, which involves moving the servers to a cloud hosted by HP will have greater resilience.
Whilst this reduces our risk with respect to our “direct” provision of this service it generates different risks and there is a strand of the DNA project that is examining this.

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

Leader - George Nobbs

Managing Director – Wendy Thomson

Notes:

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

- Managing Director (Acting),
- Head of Planning, Performance and Partnerships,
- Practice Director, nplaw (Monitoring Officer),
- Interim Head of Finance,
- Head of Democratic Services,
- Head of Customer Service and Communications,
- Acting Head of HR,
- Chief Fire Officer,
- Interim Director of Children's Services,
- Director of Community Services,
- Interim Director of Public Health,
- Interim Director of Environment, Transport and Development; and
- Finance Director NORSE.

Norfolk County Council

Statement of Accounts

2013-14

www.norfolk.gov.uk

Contents

Foreword to the Accounts

Introduction

This document presents the statutory financial statements for Norfolk County Council for the period from 1 April 2013 to 31 March 2014.

The accounts are set out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14: based on International Financial Reporting Standards (IFRSs), which defines the content and layout of the accounts.

Information on the accounts is presented as simply and clearly as possible. However, due to the technical nature of the accounts, the use of accounting terms is required in certain cases. A glossary of the meaning of these terms is provided at the end of this document to help the reader's understanding.

The Code of Practice is prepared on the basis that the published Statement of Accounts gives interested parties, including electors, council members and employees, clear information about the Council's finances, and allows the accounts to be comparable with other local authority accounts.

The Council's statement of accounts is one of the many statutory documents produced throughout the year that inform stakeholders of the activities of the Council. Publication of the accounts is an essential feature of public accountability, since the accounts provide the stewardship report on the use of funds raised from the public and business ratepayers.

Annual Governance Statement

The Council is required to conduct a review of the effectiveness of its system of internal control at least once a year and report the findings to the Council. The Annual Governance Statement contains a review of the Council's governance framework and the effectiveness of the Council's internal control and risk management systems, and reports on any significant governance issues during the year.

For 2013-14 there are a number of significant governance issues reported. Further details of these issues are included at item 7 within the Statement.

A copy of the Annual Governance Statement is available on the Council's web page.

The Main Accounting Statements

The accounting statements in this section show the results of the County Council. The accounting statements for 2013-14 comprise:

1. The core statements

- Movement in Reserves Statement

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

- Comprehensive Income & Expenditure Statement

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

- Balance Sheet

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

- Cash Flow Statement

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

2. Notes to the Accounts

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

3. Supplementary Statements

   The accounts contain two supplementary statements:

   - Fire fighters Pension Fund Accounts
   - Pension Fund Accounts – this section summarises the revenue and investment transactions of the Norfolk Pension Fund for 2013-14 and its financial position at 31 March 2014.

   Supporting notes follow each of the supplementary statements above.

Group Accounts

The Code of Practice requires that Councils consider the need to include group accounts in its published Statement. The Council has reviewed its interests in companies and other organisations to determine which are to be included in the Group Accounts for 2013-14. Details of these are shown in the Group Accounts section following the Council’s Core Statements and Notes to the Accounts.

Norfolk Pension Fund

Norfolk County Council is the administering body for the Norfolk Pension Fund. The main financial statements of the pension fund are included in the Statement of Accounts for the County Council. Consequently the Statements of Assurance cover both the County Council and the Pension Fund. Details of the Norfolk Pension Fund accounting statements are shown on pages 113 to 155. Copies of the full annual report for the pension fund are available from the Interim Head of Finance, P. Timmins, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Pensions Deficit

The accounts reflect the underlying commitment that the Council has to pay future retirement benefits for its employees, as required by IAS 19. As a result, the estimated pension liability, measured on an actuarial basis, is included in the Council’s Balance Sheet, effectively reducing the Net Assets of the Council by £867.002m.

The pension fund deficit does not represent an immediate call on the Council’s reserves but provides a snapshot at 31 March 2014, with the value of assets and liabilities changing on a daily basis. There is a neutral impact on the Council’s Comprehensive Income and Expenditure Statement reported for the year as the effect of IAS 19 is reversed through the use of a pensions reserve. Further information on this is included in the Accounting Policies and the notes to the Core Financial Statements.

Post Balance Sheet Events

The Code of Practice requires the Council to consider events occurring after the Balance Sheet date and up to the date the accounts are authorised for issue. The County Council resolved to terminate an Energy from Waste contract on 7 April 2014, resulting in termination costs estimated at £33.7m of which a reserve of £19m had been set aside at 31 March 2014. The contract was formally terminated on 16 May 2014, and the associated transactions will be reflected in the 2014-15 financial statements.

Changes to last year

- On 1 April 2013 Public Health staff and services were transferred from primary care trusts (PCTs) to local authorities. This new service is now incorporated into the Council's accounts and transactions relating to Public Health for the year are included in the CIES as an acquired service. Assets and liabilities for the service have been included within the Council's Balance Sheet and supporting notes. Under the new arrangements for Public Health staff retained access to the NHS Pension Scheme which is accounted for as a defined benefit contribution scheme. Further details of this are shown in Note 44 on page 77.
- On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced by Central Government. Before April 2013 all business rate income collected by councils formed a single , national pot which was then distributed by Government in the form of formula grant. Through the Local Government Finance Act 2012 and the regulations that followed, the Government gave local authorities the power to keep up to half of business rate growth in their area by splitting business rate revenue into the 'local share' and the 'central share'. The central share is redistributed to councils in the form of Revenue Support Grant in the same way as formula grant.

  The introduction of the BRRS has resulted in a shift of risk of non-payment of NNDR or movement in rateable value from the government in full to, in a two tier authority, 40% to the billing authority and 10% to the precepting authority.

  The new scheme includes three key streams of funding: the local share of business rates (of which the County Council receives 20%); a top up payment to make up the shortfall between the local share of business rates and the baseline funding from business rates, and the Revenue Support Grant.

  The BRRS funding included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income. The difference between the income included in the CIES and the amount required by regulation to be credited to the General fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement (MIRS). The Council's share of business ratepayers arrears, overpayments and prepayments and appeals are included in the debtor and creditor total in the Balance Sheet.

  As this is a change in legislation there is no requirement for the restatement of prior year figures.
- The Council is one of seven local authorities in Eastern Shires Purchasing Organisation (ESPO) a local purchasing consortium. As such the Council effectively has an interest in the transactions of ESPO and in the previous couple of years has consolidated an agreed share within the accounts. However, following a review it is not considered that this consolidation is sufficiently material to add value to the accounts. The core statements and appropriate notes for 2013-14 no longer include adjustments for the Council's share of ESPO. Prior year comparatives remain unchanged from the 2012-13 published accounts. Details of the Council's interest are shown in Note 32 on page 65.
- During the year, the Council's Cabinet resolved to transfer a pension risk from the Norse Group balance sheet to the County Council's single entity balance sheet in respect of wholly owned Norse companies that provide services primarily to the County Council. The risk transferred was £34m. Further details are shown in Note 39.

Provisions

At the beginning of the financial year, the Council's provisions stood at £29.044m. Changes during the year resulted in a net increase of £0.487m, mainly on the Insurance provision, to £29.531m at 31 March 2014.

Reserves

The Council's usable reserves at the beginning of the financial year amounted to £237.436m. During 2013-14 some of the usable reserves have been used to support budgeted expenditure and capital projects. The Council's usable reserves have increased to £238.593m at 31 March 2014. This is mainly due to an increase in the Capital Grants Unapplied reserve relating to government grant funding for capital projects, and a decrease in the general level of earmarked reserves offset by the creation of a new reserve of £19m set aside in relation to the termination of the Willows energy from waste contract.

Icelandic Bank Investments

In October 2008, the County Council, alongside a number of other local authorities, had deposits of £32.500m in various Icelandic banks with a range of payment due dates. In the week beginning 6 October 2008, a number of Icelandic banks went into administration.

At 31 March 2014, the latest projected cash recovery from the Icelandic Banks is £31.367m, of which £29.273m has been received, £1.674m is held in an Escrow account and £0.420m is outstanding. During 2013-14, £7.539m has been received and further details on the amounts owed are shown in Note 7 to the Core Financial Statements on page 36.

Impact of the Current Economic Climate

The Council is facing a highly challenging financial period due to the economic climate. From 2008 to 2013, the economic recovery in the UK had been the worst and slowest recovery in recent history. Wage inflation continues to remain below Consumer Price Index inflation and therefore disposable income and living standards of Norfolk citizens have come under pressure, which has led to an increased demand for our services.

The slow recovery, alongside the coalition government's deficit reduction plan has resulted in a 40% reduction in local government funding in the period of the current parliament. The Chancellor of the Exchequer set out public sector spending plans for the years 2011-15 within the Comprehensive Spending Review 2010, however there have been further reductions to departmental expenditure limits in subsequent budgets including the 2013 Autumn Statement and the Budget 2014 set out in March 2014.

The Council has tried to minimise the impact on council tax payers and users of its services by achieving efficiency savings within the Council, however the reduction in funding has led to some unavoidable reductions in services.

A new local government funding system was introduced for 2013-14, which is based on local retention of business rates, this means that council funding is affected by the growth or decline in collection of business rates within the local area. Nationally, public sector funding will still be managed within departmental expenditure limits for local government and therefore as funding from business rates increases then the amount of funding received from the government via revenue support grant will decrease.

The local government finance settlement 2013-14 announced in December 2012 reduced funding for Norfolk County Council by £13.7m, with deeper reductions in government revenue funding forecast in 2014-15 and beyond. The Chancellor has reiterated that deficit reduction plans will continue into the next parliament and announced a further £25bn of cuts to public spending nationally in 2015-16.

During 2011-14 the Council delivered £137m of savings, of which over half will have been delivered through efficiencies. In September 2013, the Council launched the Putting People First budget consultation, to which we received responses from over 100 organisations and over 4,400 individuals. The responses were considered and in February 2014, the Council agreed £69.3m savings, in order to balance the Council's 2014-15 budget and further budget proposals of £52.5m towards reducing the 2015-17 funding shortfall. The Council is implementing three year rolling budgets to support improved planning and help steer the organisation through the financial downturn, reduction in funding and continued increase in demand for services.

Looking ahead the national economic and financial outlook remains uncertain and challenging. The only certainty is that funding for public services will reduce in order to meet the Government's plans for deficit reduction and the Council will need to operate effectively within an increasingly challenging environment.

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2013-14 was £302.587m.

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

The final outturn position for the year against the revised budget is set out in the table below together with the sources of income from which the Council's net revenue expenditure was financed. These figures are based on the service and portfolio responsibilities rather than the total cost of providing services, (including apportionment of support services and adjustments to show the true cost of providing pensions to employees), which is used in the Comprehensive Income and Expenditure Statement on page 16.

The net outturn position consists of departmental underspends of £0.477m, which were transferred into the General Fund balance at the end of the financial year.

During 2013-14 the Council's Cabinet agreed to the following uses of the General Fund balance:

	£000s
General Fund Balances at 1 April 2013	22,694
Use of 2012-13 underspend towards 2013-14 budget	(1,159)
Use of 2012-13 underspend on for County Council elections in May 2013	(650)
Use of 2011-12 underspend in respect of Norfolk Citizenship	(74)
Transfer to Waste Contingency Planning earmarked reserve	(4,000)
Transfer of underspend	477
General Balances at 31 March 2014	**17,288**

Service/Portfolio	Budget	Outturn	Variance overspent/ (underspent)
	£000s	£000s	£000s
Children's Services	102,796	104,133	1,337
Community Services	274,952	276,292	1,340
Environment, Transport and Development	115,862	115,362	(500)
Fire	28,711	28,631	(80)
Central Departments	119,246	116,649	(2,597)
Service Expenditure	**641,567**	**641,067**	**(500)**
Revenue Support Grant	(203,558)	(203,558)	0
Business Rates	(135,422)	(135,399)	23
Council Tax	(302,587)	(302,587)	0
Total Income	**(641,567)**	**(641,544)**	**23**
Net Outturn Position	**-**	**(477)**	**(477)**

Capital Budget and Spending

Council approved a capital budget totalling £159.756m in February 2013. Slippage carried forward from 2012-13 was added to the programme and adjustments during the year reduced the total Capital Programme to £117.878m. Capital spending (including accrued expenditure) for 2013-14 amounted to £115.519m. The main sources of finance were grants and contributions, and revenue and reserves. Borrowing requirements were met from internal sources during 2013-14 and amounted to £12.350m.

The Council achieved capital receipts totalling £6.785m from the sale of property and loan repayments, and £0.180m in respect of assets sold to leasing companies. Of these receipts, £6.499m was used to fund capital expenditure.

Service/Portfolio	**Budget**	**Outturn**	**Variance overspent/ (underspent)**
	£000s	**£000s**	**£000s**
Children's Services	39,175	38,416	(759)
Community Services	4,036	3,852	(184)
Environment, Transport and Development	47,292	46,677	(615)
Fire	9,909	9,909	0
Central Departments	17,466	16,665	(801)
Service Expenditure	117,878	115,519	(2,359)
Prudential Borrowing	19,472	12,350	(7,122)
Capital Receipts	6,499	6,499	0
Revenue & Reserves	9,500	15,091	5,591
Grants and Contributions	82,407	81,579	(828)
Total Funding	117,878	115,519	(2,359)

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 borrowings in excess of one year (i.e. classified as long-term borrowing) is the Public Works Loans Board. At the 31 March 2014, the Council's long-term borrowing totalled £496.6m. During 2013-14, £9.000m has been reclassified as short-term borrowing as this will be repaid during 2014-15.

Council Services in Norfolk

Local Government services in Norfolk are currently provided by the County Council, seven district/borough councils and numerous town and parish councils. Norfolk County Council is one of 27 Shire County Councils in England.

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

District/Borough Councils are responsible for		
Building Regulations & Local Planning	Environmental Health	Leisure and Tourism
Bylaws	Footpaths/Bridleways	Public Conveniences
Car Parks	Footway Lighting	Recycling
Concessionary Fares	Housing Benefits	Refuse Collection/Street Cleaning
Economic Regeneration	Housing/Homelessness	

Town and Parish Councils are responsible in certain areas for		
Allotments	Community Centres	War memorials
Bus Shelters	Footway Lighting	
Burial Grounds and Cemeteries	Recreational Facilities	

Staff Employed by the Council

The table below shows details of the number of people directly employed by the County Council shown as full time equivalent (FTE) numbers.

The figures include permanent, temporary, sessional and supply staff paid as at March 2014. The FTE calculations include secondary and tertiary jobs in line with calculations used in our locally published staffing data.

Service	As at March 2013	As at March 2014	Net Change
Children's Services			
- Non Schools	1,589	1,445	(144)
- Schools	9,878	9,138	(740)
- Supply and Casuals (Schools and Non Schools)	280	250	(30)
Children's Services Totals	11,747	10,833	(914)
Adult Social Services	1,459	842	(617)
Environment, Transport and Development	706	717	11
Fire	403	401	(2)
Cultural Services	571	518	(53)
Central Departments	1,096	1,170	74
Other Services (Registrars)	34	96	62
TOTAL	16,016	14,577	(1,439)

The figures have been collated to reflect the changes that have taken place in 2013-14. The variations in staffing levels largely reflect the programme of budget reductions and service transformation now underway within the Council. This has included a combination of service redesign, service closure and transfer of staff and services to alternative providers.

The change in numbers within Children's Services reflects service redesign together with establishment of the Norfolk Short Stay School on a delegated basis with numbers included in the overall schools total. Within Adult Social Care, the major change has been the transfer (out) to Independence Matters and transfer of Care Connect and some finance staff to central departments. The reduction in Cultural Services is due primarily to reduced external funding in Adult Education together with small number of organisational changes. Other Services now include Public Health for the first time which largely accounts for the increase over the previous year.

Schools determine their own staffing levels within delegated funding. As in previous years these figures reflect the number of school based staff paid on NCC payrolls. The Norfolk Short Stay School is now shown in these figures with the net reduction over the previous year reflecting a number of schools opting for Academy status and staffing adjustments in schools.

Further Information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This has been advertised in the local press. The authority complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.

Further information about the financial statements and accounts is available from the Interim Head of Finance, P. Timmins, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Head of Finance's Responsibilities

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

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance has also:

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

Certificate by the Head of Finance

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

P. Timmins,

Interim Head of Finance

Date: 25 September 2014

I confirm that the Statement of Accounts was approved by a resolution of the Audit Committee on 25 September and have been re-signed as authorisation to issue.

I.J. Mackie

Chairman of Norfolk County Council Audit Committee

Date: 25 September 2014

Independent Auditors’ Report to the Members of Norfolk County Council

Opinion on the Authority, and fire fighters’ pension fund financial statements

Once given, the auditors’ opinion will be inserted here.

Movement in Reserves Statement

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account Restated	Total Usable Reserves Restated	Unusable Reserves	Total Reserves of the Council Restated
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2012	**18,199**	**135,174**	**1,973**	**51,181**	**206,527**	**271,481**	**478,008**
Movement in Reserves during 2012-13							
Surplus / (Deficit) on provision of services	(3,213)	0	0	0	(3,213)	0	**(3,213)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	(102,308)	**(102,308)**
Total Comprehensive Expenditure and Income	**(3,213)**	**0**	**0**	**0**	**(3,213)**	**(102,308)**	**(105,521)**
Adjustments between accounting basis & funding basis under regulations (note 8)	13,656	0	(386)	20,852	34,122	(34,122)	**0**
Net Increase / (Decrease) before transfers to reserves	**10,443**	**0**	**(386)**	**20,852**	**30,909**	**(136,430)**	**(105,521)**
Transfers to/from Earmarked Reserves (note 9)	(5,948)	5,948	0	0	0	0	**0**
Increase / (Decrease) in Year	**4,495**	**5,948**	**(386)**	**20,852**	**30,909**	**(136,430)**	**(105,521)**
Balance at 31 March 2013	**22,694**	**141,122**	**1,587**	**72,033**	**237,436**	**135,051**	**372,487**
Movement in Reserves during 2013-14							
Surplus / (Deficit) on provision of services	(100,521)	0	0	0	(100,521)	0	**(100,521)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	45,690	**45,690**
Total Comprehensive Expenditure and Income	**(100,521)**	**0**	**0**	**0**	**(100,521)**	**45,690**	**(54,831)**
Adjustments between accounting basis & funding basis under regulations (note 8)	93,802	0	168	7,708	101,678	(101,678)	**0**
Net Increase / (Decrease) before transfers to reserves	**(6,719)**	**0**	**168**	**7,708**	**1,157**	**(55,988)**	**(54,831)**
Transfers to/from Earmarked Reserves (note 9)	1,313	(1,313)	0	0	0	0	**0**
Increase / (Decrease) in Year	**(5,406)**	**(1,313)**	**168**	**7,708**	**1,157**	**(55,988)**	**(54,831)**
Balance at 31 March 2014	**17,288**	**139,809**	**1,755**	**79,741**	**238,593**	**79,063**	**317,656**

Comprehensive Income and Expenditure Statement

	2012-13 Gross Expenditure	2012-13 Income	2012-13 Net Expenditure	2013-14 Gross Expenditure	2013-14 Income	2013-14 Net Expenditure
	£000s	£000s	£000s	£000s	£000s	£000s
Continuing Services:						
Adult Social Care	373,344	90,656	282,688	388,001	98,394	289,607
Central Services to the Public	3,646	1,666	1,980	5,446	1,794	3,652
Children's and Education Services	687,404	488,533	198,871	609,271	481,011	128,260
Cultural and Related Services	28,037	5,968	22,069	29,879	8,507	21,372
Environmental and Regulatory Services	57,247	5,490	51,757	51,668	6,174	45,494
Fire and Rescue Services	32,982	2,611	30,371	34,762	2,394	32,368
Highways and Transport Services	98,656	16,196	82,460	100,616	16,604	84,012
Planning Services	10,820	2,022	8,798	11,314	2,166	9,148
Corporate and Democratic Core	3,046	0	3,046	3,676	0	3,676
Non Distributed Costs	(3,360)	0	(3,360)	(6,184)	0	(6,184)
Total for Continuing Services	**1,291,822**	**613,142**	**678,680**	**1,228,449**	**617,044**	**611,405**
Acquired Services:						
Public Health	-	-	-	27,872	30,759	(2,887)
Total for Acquired Services	**-**	**-**	**-**	**27,872**	**30,759**	**(2,887)**
Cost of Services	**1,291,822**	**613,142**	**678,680**	**1,256,321**	**647,803**	**608,518**
Other Operating Expenditure (Note 10)			71,082			177,212
Financing and Investment Income and Expenditure (Note 11)			53,053			66,982
Taxation and Non-Specific Grant Income (Note 12)			(799,602)			(752,191)
(Surplus) / Deficit on Provision of Services			**3,213**			**100,521**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(27,998)			(54,274)
Re-measurements of the net defined benefit liability			130,306			8,584
Other Comprehensive Income and Expenditure			**102,308**			**(45,690)**
Total Comprehensive Income and Expenditure			**105,521**			**54,831**

Balance Sheet

	Note	31 March 2013 Restated £000s	31 March 2014 £000s
Property, Plant & Equipment	13	1,593,234	1,561,659
Heritage Assets	14	5,883	6,116
Investment Property	15	29,779	29,705
Intangible Assets	16	1,483	684
Long Term Investments	17	19,522	13,483
Long Term Debtors	19	7,505	12,062
Long Term Assets		**1,657,406**	**1,623,709**
Short Term Investments	17	154,004	152,888
Inventories	18	1,635	502
Short Term Debtors	19	74,254	118,707
Cash and Cash Equivalents	20	70,146	49,497
Assets Held for Sale	21	1,915	0
Current Assets		**301,954**	**321,594**
Short Term Borrowing	17	(15,372)	(15,533)
Other Short Term Liabilities	17	(3,508)	(2,904)
Short Term Creditors	22	(124,283)	(132,433)
Provisions	23	(8,104)	(7,519)
Current Liabilities		**(151,267)**	**(158,389)**
Provisions	23	(20,940)	(22,012)
Long Term Borrowing	17	(507,684)	(496,611)
Other Long Term Liabilities	17	(888,180)	(929,046)
Capital Grants Receipts in Advance	38	(18,802)	(21,589)
Long Term Liabilities		**(1,435,606)**	**(1,469,258)**
Net Assets		**372,487**	**317,656**
Usable Reserves	24	237,436	238,593
Unusable Reserves	25	135,051	79,063
Total Reserves		**372,487**	**317,656**

Cash Flow Statement

	31 March 2013	31 March 2014
	£000s	£000s
Net (surplus) or deficit on the provision of services	**3,213**	**100,521**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(152,566)	(174,459)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	113,796	83,783
Net cash flows from Operating Activities (Note 26)	(35,557)	9,845
Investing Activities (note 27)	66,906	(426)
Financing Activities (note 28)	16,331	11,230
Net (increase) or decrease in cash and cash equivalents	**47,680**	**20,649**
Cash and cash equivalents at the start of the year	**117,826**	**70,146**
Cash and cash equivalents at the end of the year (note 20)	**70,146**	**49,497**

Notes to the Financial Statements:

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013-14 financial year and its position at the year end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 (the Code) and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the Local Government Act 2003.

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

1.2 Accounting Principles

Relevance

The objective of financial statements is to provide information about an Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

Reliability

Financial information is reliable if it can be depended on to represent faithfully what it either purports to represent or what it can be reasonably expected to represent and is free from deliberate, systematic or material error.

Comparability

The information in the accounts is more useful if it can be compared with information for some other period or point in time. This depends upon consistency in the application of the accounting policies, unless it can be shown that a new policy would introduce improved accounting practices.

Understandability

The accounting principles on which the Code is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government, and reasonable diligence in reading the financial statements if they are to be properly understood. However all reasonable efforts have been taken in the preparation of the financial statements to ensure they are as easy to understand as possible.

Materiality

Strict compliance with the Code, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the authority and to the understanding of the Statement of Accounts by a reader.

Accruals

This requires the non-cash effects of transactions (debtors and creditors) to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

Going Concern

A local authority's Statement of Accounts should be prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of the operation.

1.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.4 Acquired Operations

On 1 April 2013 Public Health staff and services were transferred from primary care trusts (PCTs) to local authorities. This new service is now incorporated into the Council's accounts and transactions relating to Public Health for the year are included in the accounts as an acquired operation and are therefore shown separately on the face of the Comprehensive Income and Expenditure Statement.

1.5 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.6 Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.8 Council Tax Income and Business Rates

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

1.9 Employee Benefits

Benefits payable during employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

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

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

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

<u>Fire Fighters Pension Scheme</u>

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

<u>Discretionary Benefits</u>

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

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

1.10 Events after the Balance Sheet Date

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

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

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

1.11 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.12 Financial Instruments

<u>Financial Assets</u>

Financial assets are classified into two types:

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

<u>Loans and Receivables</u>

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

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

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

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

<u>Available for Sale Assets</u>

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

Instruments entered into before 1 April 2006

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

Instruments entered into before 8 November 2007

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

Financial Liabilities

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

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

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

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

Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.13 Foreign currency translation

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

1.14 Government Grants and Other Contributions

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

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

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

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

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

1.15 Heritage Assets

Tangible and Intangible heritage assets

Heritage Assets are held to increase the knowledge, understanding and appreciation of the local area and its history, and are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment, including the treatment of intangible assets and of revaluation gains and losses. However, some of the measurement rules are relaxed in relation to heritage assets with valuation or historic cost replacing fair value, as detailed below.

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

(i) Windmills and Windpumps

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

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.

(ii) Other Heritage Assets

- Museums Collections

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

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

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

Material items within the collections are stored in secure and controlled conditions and are therefore deemed to have indeterminate lives and a high residual value and the Council does not consider it appropriate to charge depreciation.

- Document and archive collections

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

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

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

- Sundry other Heritage Assets

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

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

(iii) Heritage Assets – General

Apart from heritage assets previously accounted for as community assets, heritage assets acquired before 1 April 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost effective basis. Additions since 1 April 2010 are capitalised and recognised in the Balance Sheet under Heritage Assets. The cost or value of the acquisition is used where such a cost or valuation is reasonably obtainable.

Collection items with values below the capitalisation threshold are expensed when the expenditure is incurred.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Council's general policies on impairment as detailed in note 1.25 in this summary of significant accounting policies.

The carrying amount of windmills and windpumps is reviewed annually against the insurance schedules for these items. Where there is a movement in the valuation, this is treated in accordance with the general policies on revaluation and impairment of assets set out in section 1.24 of these accounting policies.

The Council's museums and other collections are relatively static, and significant acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and subsequently at valuation where available.

Material disposals are rare. However, any disposals are accounted for in accordance with the Council's accounting policies on property, plant and equipment. The proceeds of disposals, if any, are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

1.16 Intangible Assets

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

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

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

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

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

1.17 Interests in Companies and Other Entities

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

1.18 Inventories and long term contracts

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

1.19 Investment Property

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

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

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

1.20 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

1.21 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. These amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

<u>Operating Leases</u>

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

1.22 Overheads

Central departments operate within predetermined budgets and generally their costs are not allocated to departments. At the end of the financial year, the costs of the central departments are analysed, in accordance with the principles of the CIPFA Service Reporting Code of Practice (SeRCOP), to determine what costs should be shared between users of the services, with the exception of:

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

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

1.23 Private Finance Initiative (PFI) Schemes

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment except in the case of schools which have transferred to Academy status.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Council is involved in three PFI schemes – Norwich Schools, Salt Barns and Street Lighting.

For the Norwich Schools PFI scheme, the liability was written down by an initial capital contribution of £8.2m.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Norwich Schools PFI 12.4%, Salt Barns PFI 44.34% and Street Lighting PFI 8.56%).
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.24 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.25 Property, Plant and Equipment

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

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The de minimis level for property, plant and equipment is £40,000.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Componentisation</u>

Where an asset contains a component with a significant cost in relation to the overall asset and a different useful life, the Council is required under the Code to recognise the component separately. Where components are recognised they are depreciated over their own useful lives when calculating the depreciation chargeable for the year.

Where capital expenditure results in an acquisition which replaces a component of an asset, the original component is derecognised in order to ensure that the Council does not overstate its assets.

The de-minimis level for componentising assets is £1.2m on the gross book value of buildings only.

<u>Impairment</u>

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

<u>Depreciation</u>

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

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 20 to 40 years.

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

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

Disposals and non current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.26 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

1.27 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.28 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.29 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards issued, not adopted

The Code requires the council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. The following standards apply:

Group accounts and consolidation:

- IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control for determining entities to be consolidated into group accounts. The Council's group accounts incorporate all controlled entities which are material to the accounts, including Independence Matters, a new Community Interest Company. The Council has no associates material to the accounts. One associate, ESPO, which was consolidated into the single entity financial statements in previous years has not been consolidated in these financial statements on the basis of materiality. The revised standard will not result in any amendments.
- IFRS 11 Joint Arrangements – This standard addresses the accounting for 'joint arrangements': contractual arrangement over which two or more parties have joint control. The Council has no material joint arrangements.
- IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has a number of arrangements with other entities under IFRS12 and these are disclosed in the introduction to the Council's group accounts.
- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These financial statements would not be amended by the introduction of IFRS 10, IFRS 11 or IFRS 12. As a result there will be no impact as a result of changes in IAS 27 and IAS 28.

IAS 32 Financial Instruments Presentation – The changes to the presentation, particularly in respect of Offsetting Financial Assets and Liabilities, will not have any impact on the accounts: gains and losses are separately identified on the Comprehensive Income and Expenditure Statement.

IAS 1 Presentation of the Financial Statements – The 2014-15 Code includes amendments on the presentation of financial statements to reflect the amendments to IAS 1 as required by the Annual Improvements to IFRS 2009–2012 Cycle issued in May 2012. The changes clarify disclosure requirements in respect of comparative information. These financial statements fully discloses comparative information for the preceding period therefore these changes will not have a material impact.

3. Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the three operational PFI agreements (Norwich Schools, Salt Barns and Street Lighting) and also to control the residual value of the assets at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the operational assets (valued at £44.9m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The financial statements have been prepared on the basis that the Waste PFI would proceed. The County Council resolved to terminate the contract on 7 April 2014. At 31 March 2014 there was no legal or constructive obligation to terminate the contract. As a result, the possibility of termination which existed at 31 March due to planning uncertainties has been treated as a contingent liability. Further explanations of the financial uncertainties relating to the Waste PFI can be found in note 42 PFI and similar contracts and note 46 Contingent Liabilities.
- There is uncertainty regarding the accounting treatment of schools' non current assets. The results of a recent consultation by CIPFA on the recognition of non current schools' assets were inconclusive and CIPFA has established a review group to clarify this issue. As a result, and as detailed in note 13 Property, Plant and Equipment, the Council continues to recognise Community and Voluntary Controlled schools on the Balance Sheet for 2013-14, based on the assessment of the control of the economic benefits and service potential of these assets. Voluntary aided schools, Foundation schools and Academies remain outside the Council's accounts.

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for the buildings would increase by £4.7m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged to provide the Council with	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 £173.310m. However, the assumptions interact in complex ways. During 2013-14, the Council's actuaries advised that the net

	expert advice about the assumptions to be applied.	pensions liability had decreased by £25.585m.

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

5. Material Items of Income and Expense

During 2013-14, 19 schools transferred to Academy status. The assets relating to these schools have been removed from the Council's balance sheet and are shown as a loss on disposal of non-current assets in note 10. The value written off amounts to £172.281m and is the main reason for the net loss on disposal of £173.890m.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 26 September 2014. Events that occur after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and note have been adjusted in all material respects to reflect the impact of this information.

Schools transferring to Academy Status

The following 21 schools with a net book value of £59.271m converted to academy status between 1 April 2014 and 30 September 2014:

Locksley School; Roseberry Centre; Douglas Bader Centre; Earthsea House; Brooklands Centre; Watton Junior School; Eastgate Primary; Weeting Primary; Duchy of Lancaster School; St Martin at Shouldham*; Stalham Junior; Snettisham Primary School; Norman Primary School*; Flitcham CEVA Primary*; Cavell Primary and Nursery; Marham Infant; West Lynn Primary; City of Norwich; King Edward VII VC High School; Whitefriars* .

The following 3 schools with a net book value of £3.195m converted from Voluntary Controlled (VC) to Voluntary Aided (VA) status between 1 April 2014 and 30 September 2014:

Hockering; St Peters at Easton; Talconeston.

*These are VA schools converting to Academy status so only the playing fields are transferring from the Council's accounts.

All of the schools were revalued prior to disposal. The revised net book value of £64.254m has been written out of the Council's Property, Plant and Equipment during 2014-15 and will be treated as a disposal at nil consideration in the 2014-15 Consolidated Income and Expenditure Statement.

Termination of Energy from Waste contract

On 7 February 2012, the Council contracted with Cory Wheelabrator for the treatment of waste for residual municipal solid waste. The project was originally supported by PFI credit support of £91 million (£169m over 25 years in cash terms). The Department for Environment, Food and Rural Affairs (Defra) withdrew its credit support in October 2013, but an Environmental Permit had been issued by the Environment Agency in July 2012 and the Council continued to support the project which provided for the construction and operation of a new £155m power and waste recycling centre, subject to planning approval.

In 30 August 2012, the Secretary of State for Communities wrote to Norfolk County Council to say that he had decided to "call in" the planning application. The subsequent Public Inquiry ended on 17 May 2013, with the Secretary of State due to issue his decision on or before the 14 January 2014. As at 31 March 2014, the Secretary of State had not made a decision.

At 31 March 2014, the contract was still subject to the contractor obtaining planning permission. As there was no legal or constructive obligation to terminate the contract at that date the financial statements have been prepared on the basis that the contract would proceed.

On 7 April 2014 the County Council's Cabinet resolved to allow the contract to terminate for planning failure on the basis that there is no prospect of financial close prior to 31 July 2014 after which termination penalties would increase. The contract was formally terminated on 16 May 2014 incurring contractual termination costs estimated at £33.7m. The termination costs will be reflected in the 2014-15 financial statements.

Due to the planning uncertainties at the year end, and associated contract termination clauses, the Council set aside £19m as at 31 March 2014 in the form of a Residual Waste Treatment Contract reserve (see note 9 on page 40).

7. Impairment of deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £32.5m deposited with Landsbanki, Glitnir and Kaupthing Singer and Friedlander, with varying maturity dates and interest rates. The investments in Glitnir were reduced to zero at 31 March 2012 following a full and final distribution made to priority creditors on 16 March 2012. The investments in Landsbanki have been reduced to zero at 31 March 2014 following the sale of the County Council's remaining claim on 30 January 2014.

Investments included in the current assets figure in the Balance Sheet at 31 March 2014 include investments for Kaupthing Singer and Friedlander that have been impaired because of the financial difficulties experienced by Icelandic Banks.

Bank	Date Invested	Amount invested	Maturity Date	Interest Rate	Carrying Amount at 31 March 2014	Net Impairment
Kaupthing Singer and Friedlander		£			£	£
	18-03-08	5,000,000	17-10-08	5.98%	208,245	580,559
	22-11-06	2,500,000	22-11-10	5.38%	106,080	260,017
	22-11-06	2,500,000	22-11-10	5.38%	106,080	260,017
Total		10,000,000			420,405	1,100,593

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The carrying amounts for Kaupthing Singer and Friedlander also reflect that at 31 March 2014, £8.479m has been repaid to the County Council for these investments.

All remaining monies are currently subject to the administration process. The amounts and timing of payments to depositors such as the Council will be determined by the administrators.

Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing Singer and Friedlander Ltd

The administrators of Kaupthing Singer and Friedlander Ltd paid £0.572m (5.5%) during 2013-14. At 31 March 2014, the administrators have made payments, including prior years, totalling £8.479m (81.5%). The revised impairment at 31 March 2014 is based on the assumption that a further 4.25% will be received by the end of June 2015, taking total dividends expected to be paid to 85.75%.

Therefore in calculating the impairment the Council has made the following assumptions about the timing of recoveries:

Date	Repayment
June 2014	1.50%
June 2015	2.75%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7 October 2008.

Landsbanki

The Landsbanki Winding Up Board paid a fourth distribution of £0.797m during 2013-14. On 30 January 2014, the County Council sold through a competitive auction the remaining unrecovered element of its Landsbanki claim recovering £6.170m. The County Council is no longer a creditor of Landsbanki and in total has received £14.472m from the four distributions by the Landsbanki Winding Up Board and the sale of its claim.

Glitnir

The Glitnir Winding Up Board made a full and final distribution to priority creditors during 2011-12. This was paid in pounds sterling, Euro, US dollar, Norwegian krona and Icelandic kroner. Apart from the Icelandic kroner (ISK) element of the distribution, the foreign currencies were converted into pounds sterling on the day of receipt and the Council received £6.322m.

The ISK is subject to restrictions imposed by the Icelandic Government and that part of the distribution has been paid into a Glitnir Winding Up Board escrow account, which earned interest at a rate of 3.4% until 21 June 2012 and 4.2% from 22 June 2012. At 31 March 2014, the ISK balance has been converted to pounds sterling amounting to £1.674m (£1.608m at 31 March 2013) and is included in the Balance Sheet as a short term investment.

8. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2013-14	**Usable Reserves**			
	General Fund	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Movement in Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:				
Charges for depreciation and impairment of non current assets	47,015			(47,015)
Revaluation losses on property, plant and equipment	(49,578)			49,578
Movements in the fair value of investment properties	(536)			536
Amortisation of intangible assets	1,099			(1,099)
Capital grants and contributions applied	(53,905)			53,905
Revenue expenditure funded from capital under statute	20,880			(20,880)
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	180,475			(180,475)

2013-14	Usable Reserves			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Removal of income recognised in Taxation & Non-Specific Income relating to Donated Assets	(3,098)			3,098
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(26,924)			26,924
Capital expenditure charged against the General Fund	(15,091)			15,091
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,908)	6,908		
Use of the Capital Receipts reserve to finance new capital expenditure		(6,499)		6,499
Contribution from the Capital Receipts reserve towards administrative costs of non current asset disposals	241	(241)		
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(35,380)		35,380	
Application of grants to capital financing transferred to the Capital Adjustment Account			(27,672)	27,672
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	22			(22)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 45)	87,312			(87,312)
Employer's pension contributions and direct payments to pensioners payable in the year	(52,412)			52,412
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(645)			645
Adjustments primarily involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1,235			(1,235)
Total Adjustments in 2013-14	**93,802**	**168**	**7,708**	**(101,678)**

2012-13	Usable Reserves			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:				
Charges for depreciation and impairment of non current assets	80,459			(80,459)
Revaluation losses on property, plant and equipment	(8,919)			8,919
Movements in the fair value of investment properties				
Amortisation of intangible assets	3,097			(3,097)
Capital grants and contributions applied	(67,101)			67,101
Revenue expenditure funded from capital under statute	19,101			(19,101)
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	75,060			(75,060)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(30,934)			30,934
Capital expenditure charged against the General Fund	(23,981)			23,981
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,803)	8,819		(16)
Use of the Capital Receipts reserve to finance new capital expenditure		(9,079)		9,079
Contribution from the Capital Receipts reserve towards administrative costs of non current asset disposals	126	(126)		
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,553			(3,553)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(41,506)		41,506	
Application of grants to capital financing transferred to the Capital Adjustment Account			(20,654)	20,654
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	22			(22)

2012-13	**Usable Reserves**			
	General Fund	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Movement in Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 45)	68,032			(68,032)
Employer's pension contributions and direct payments to pensioners payable in the year	(53,243)			53,243
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(53)			53
Adjustments primarily involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(1,254)			1,254
Total Adjustments in 2012-13	**13,656**	**(386)**	**20,852**	**(34,122)**

9. Transfers to/from earmarked reserves

This note sets out the amounts set aside in earmarked reserves, including schools reserves, to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2013-14. Details of each of the earmarked reserves follow the table below.

	Balance at 31 March 2012	**Transfers in 2012-13**	**Transfers out 2012-13**	**Balance at 31 March 2013**	**Transfers in 2013-14**	**Transfers out 2013-14**	**Balance at 31 March 2014**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
LMS Balances	33,431	40,512	(40,921)	33,022	29,021	(35,526)	26,517
Adult Education Income Reserve	380	47	(409)	18	371	(230)	159
Adult Social Care Legal Liabilities	3,711	14	(131)	3,594	1,500	(2,000)	3,094
Adult Social Services Residential Review	2,994	651	(51)	3,594	1,004	(1,574)	3,024
Archive Centre Sinking Fund	181	35		216	46	0	262
Building Maintenance	3,648	2,538	(3,270)	2,916	3,183	(2,196)	3,903
Car Leasing Scheme	940	215		1,155	67	(1,000)	222
Children's Services Equalisation	332	358		690	0	(441)	249
Community Construction Fund		3,500	(3,428)	72	1,072	(1,144)	0
County Strategic	543	1,267	(1,324)	486	1,345	(1,620)	211

	Balance at 31 March 2012	Transfers in 2012-13	Transfers out 2012-13	Balance at 31 March 2013	Transfers in 2013-14	Transfers out 2013-14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Partnership							
Economic Development and Tourism	952	3,680	(23)	4,609	309	(703)	4,215
ESPO Reserves	1,432	581	(370)	1,643	0	(1,643)	0
Fire Operational Equipment	826	192		1,018	0	(52)	966
Fire Pensions Reserve	381		(33)	348	0	0	348
Fire Retained Turnout Payments	542			542	0	0	542
Highways Maintenance	9,283	1,142	(5,781)	4,644	800	(819)	4,625
Historic Buildings	240	31	(42)	229	0	(30)	199
Icelandic Banks	5,076	779	(120)	5,735	1,459	(4,750)	2,444
Industrial Estate Dilapidations	10			10	0	0	10
Information Technology	8,601	4,683	(3,813)	9,471	11,165	(10,410)	10,226
Insurance Reserve	100		(83)	17	27	(18)	26
Local Assistance Scheme Reserve	0	0	0	0	900	0	900
Modern Reward Strategy	6,210			6,210	0	(1,851)	4,359
Museums Income Reserve	79			79	0	(38)	41
Norfolk Guidance Service Income Reserve	124		(124)	0	0	0	0
Norfolk Infrastructure Fund	4,745	1,914	(4,281)	2,378	1,202	(1,565)	2,015
Northern Distributor Route Reserve	2,500			2,500	0	0	2,500
Norwich Schools PFI Sinking Fund	1,506	205		1,711	351	0	2,062
NPLaw Operational Reserve	120	152	(27)	245	121	(61)	305
Ofsted Improvement Fund	0	0	0	0	1,741	0	1,741
Organisational Change and Redundancy Reserve	4,548	4,090	(1,361)	7,277	382	(2,054)	5,605
P&T Bus De-registration	103		(21)	82	0	(18)	64
P&T Demand Responsive Transport	478	83		561	111	(516)	156
P&T Park and Ride	15	95	(3)	107	0	(95)	12
Prevention Fund	5,078	5,078	(6,088)	4,068	490	(3,417)	1,141
Public Transport Commuted Sums	24		(8)	16	0	0	16
Repairs and Renewals	5,425	1,492	(1,134)	5,783	1,862	(3,095)	4,550

	Balance at 31 March 2012	Transfers in 2012-13	Transfers out 2012-13	Balance at 31 March 2013	Transfers in 2013-14	Transfers out 2013-14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fund							
Re-procurement Strategic Partnership	333	150	(247)	236	0	(201)	35
Residual Insurance and Lottery Bid Development	373	152	(157)	368	108	(53)	423
Residual Waste Treatment Contract Reserve	0	0	0	0	19,065	0	19,065
Road Safety Reserve	495		(298)	197	126	(173)	150
School Sickness Insurance	1,559		(131)	1,428	0	(144)	1,284
Schools Contingency	5,918	4,212	(100)	10,030	2,353	(3,068)	9,315
Schools Non-Teaching Activities	147	1,010	(147)	1,010	2,168	(2,009)	1,169
Schools Playing Field Sinking Fund	442	85	(118)	409	33	(194)	248
Strategic Ambitions Reserve	867	1,255	(843)	1,279	102	(234)	1,147
Street Lighting PFI Sinking Fund	8,551	5,172	(5,934)	7,789	3,474	(4,222)	7,041
Unspent Grants and Contributions	11,184	5,282	(4,211)	12,255	8,775	(8,204)	12,826
Waste Management Partnership	747	980	(652)	1,075	0	(678)	397
TOTAL	**135,174**	**91,632**	**(85,684)**	**141,122**	**94,733**	**(96,046)**	**139,809**

Details of earmarked reserves:

LMS Balances

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

Adult Education Income Reserve

The County Council is required to approve a budget for the Adult Education service five to six months in advance of the funding announcement by the Skills Funding Agency. In addition, the Skills Funding Agency can also impose penalties on the service in the event that targets are not met and these are dependent on results assessed at year end. This reserve enables the Council to manage risks associated with potential changes in Skills Funding Agency funding.

Adult Social Care Legal Liabilities

This reserve relates to a legal case by another Council on the ability to charge for certain services. It will be used to smooth future expenditure if the Council cannot charge for these services.

Adult Social Services Residential Review

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

Archive Centre Sinking Fund

This reserve is to maintain the Archive Centre in accordance with a lease agreement between the County Council and the University of East Anglia.

Building Maintenance

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

Car Leasing Scheme

This is the accumulated trading surplus on the car leasing scheme.

Children Service's Equalisation

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

Community Construction Fund

This fund enabled groups such as parish councils, voluntary groups and charities to apply for a one-off grant to create village hall extensions, sports facilities, play areas and other community projects. The fund was fully exhausted during 2013-14.

County Strategic Partnership

This reserve reflects monies that have been generated from Council Tax on second homes and in accordance with the decision of the Norfolk Local Government Association is earmarked for strategic initiatives identified by the County Strategic Partnership.

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.

ESPO Reserves

This balance represents the County Council share of reserves included in the ESPO accounts and has been removed from the accounts for 2013-14 as ESPO is no longer consolidated in the accounts. See Note 32 on page 65 for details.

Fire Operational Equipment Reserve

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

Fire Pensions Reserve

This reserve is to smooth higher than anticipated costs due in respect of ill health retirements, injury retirements and retained fire fighters who qualify for the Whole Time Uniformed scheme.

Fire Retained Turnout Payments Reserve

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

Highways Maintenance

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

Historic Buildings

This is used to buy and restore historic buildings at risk of being demolished and to make grants towards the restoration of buildings.

Icelandic Banks

This is to provide for potential additional Icelandic Bank losses.

Industrial Estate Dilapidations

This is to cover potential dilapidation costs that may be incurred as a result of the expiration of the North Walsham industrial estate headlease in 2009.

Information Technology

Monies are set aside for specific IT projects.

Insurance Reserve

This reserve reflects monies set aside for future potential insurance liabilities that are in excess of those provided for in the Insurance Provision.

Local Assistance Scheme Reserve

This reserve represents the carry forward of Government Local Assistance scheme funding designed to provide financial assistance to Norfolk's most vulnerable residents.

Modern Reward Strategy Reserve

This reserve is set aside to meet any successful equal pay claims.

Museums Income Reserve

This reserve is to assist with the budget management of fluctuations in income from visitors due to unpredictable seasonal variations. In years of unfavourable weather conditions, visitor numbers can decrease which would result in a Service overspend.

Norfolk Guidance Service Income Reserve

This reserve assisted with the budget management of changes to contracts and is no longer used.

Norfolk Infrastructure Fund

This reserve is to support infrastructure projects across the county.

Northern Distributor Route Reserve

This reserve is to support the council's funding requirement for the Northern Distributor Road and will be used to mitigate future borrowing costs for the scheme.

Norwich Schools PFI Sinking Fund

This reserve has been created as a result of the Norwich Schools PFI scheme and reflects receipt of government PFI grant and contributions from schools and academies which will be needed in future financial years to meet contract payments.

Ofsted Improvement Fund

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

NPLaw Operational Reserve

This reserve has been created to support the development and increased activities of the business and smooth variations in trading.

Organisational Change and Redundancy Reserve

This reserve was created to provide funding to support and invest in transformational change e.g. shared services, and to fund redundancy costs.

P&T Bus Deregistration

This is funding to meet costs associated with the commercial deregistration of bus services.

P&T Demand Responsive Transport Reserve

This reserve is to enable pump priming of demand responsive transport services as changes are made in supporting public transport by increasing public transport patronage rather than directly subsidising transport operators.

P&T Park and Ride

The reserve is for future site works.

Prevention Fund

This reserve is to support future investment in prevention.

Public Transport Commuted Sums

This includes a commuted sum from Developers to cover new bus routes and lump sums received from the Government for improvements to bus services. An annual amount is transferred to the revenue budget.

Repairs and Renewals Fund

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

Re-procurement Strategic Partnership

This reserve supports a major project set up in 2011-12 for the re-procurement of highways services, which may involve a joint venture.

Residual Insurance and Lottery Bid Development

When a cash settlement was agreed with our insurers in respect of the library fire the proceeds were paid into an earmarked reserve. Subsequent costs have been funded from this source, and outstanding costs for buildings and books have been transferred to earmarked reserves. A few issues remain outstanding (e.g. Records conservation).

Residual Waste Treatment Contract Reserve

This reserve was set up during 2013-14 to address a potential liability associated with termination costs relating to the Willows Energy from Waste PFI scheme.

Road Safety Reserve

This reserve reflects the surplus resulting from Speed Awareness Courses run by the council on behalf of the Police, to be reinvested within Road Safety

Schools Contingency

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

Schools Non-Teaching Activities

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

Schools Playing Field Sinking Fund

This reserve is to maintain and replace the astro turf playing surface at schools in accordance with a lease agreement between the schools' governing body and the County Council.

Schools Sickness Insurance

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

Strategic Ambitions Reserve

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

Street Lighting PFI Sinking Fund

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

Unspent Grants and Contributions Reserve

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

Waste Management Partnership

This reserve is for waste management initiatives.

10. Comprehensive Income and Expenditure Statement: Other Operating Expenditure

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

	2012-13 £000s	2013-14 £000s
Environment Agency precept	694	695
Eastern Sea Fisheries precept	551	536
(Gains)/losses on disposal of non current assets	70,140	173,890

Adjustment for share of ESPO (removed in 2013-14)	(303)	2,091
Total	**71,082**	**177,212**

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

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

	2012-13 £000s	2013-14 £000s
Interest payable and similar charges	34,159	33,537
Pensions interest cost and expected return on pensions assets	24,802	36,929
Interest receivable and similar income	(4,992)	(3,012)
Income and expenditure in relation to investment properties	(508)	(95)
Gains on trading accounts not included in the cost of services (note 30)	(408)	(377)
Total	**53,053**	**66,982**

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

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

	2012-13 £000s	2013-14 £000s
Council tax income	347,513	305,434
Non domestic rates	243,626	133,198
Non ring fenced government grants	99,856	227,547
Capital grants, contributions and donated assets	108,607	82,914
Donated Assets income	0	3,098
Total	**799,602**	**752,191**

Note: The introduction of the Local Business Rates Retention Scheme included a number of previously specific grants rolled into the funding baseline. This included the Learning Disability and Health Reform Grant, Early Intervention Grant and Lead Local Flood Grant, resulting in an increase in the Revenue Support Grant element of the funding scheme.

13. Property, Plant and Equipment

Movements in 2013-14 on Council assets are as follows. The table includes an adjustment to remove the balances for ESPO as this is no longer reflected in the Council's accounts as detailed in the Explanatory Foreword and Note 32.

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
Cost or Valuation								
At 1 April 2013	**995,276**	**80,729**	**746,749**	**1**	**64,781**	**17,697**	**1,905,233**	**77,119**
Adjustment to remove ESPO balances	(2,170)	(757)	0	0	0	0	(2,927)	0
Additions	14,702	5,298	39,863	0	26,624	0	86,487	0
Donations	110	0	0	0	0	2,988	3,098	0
Revaluation increases/(decreases):								
- to Revaluation reserve	34,491	0	0	0	0	452	34,943	1,053
- to surplus or deficit on provision of services	17,771	0	0	0	0	(3,749)	14,022	2,709
Derecognition - disposals	(177,325)	(19,954)	0	0	(180)	(642)	(198,101)	(30,047)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(3,113)	(3,113)	0
Reclassifications and transfers	(7,011)	0	0	0	0	8,612	1,601	(632)
At 31 March 2014	**875,844**	**65,316**	**786,612**	**1**	**91,225**	**22,245**	**1,841,243**	**50,202**
Accumulated Depreciation and Impairment								
At 1 April 2013	86,617	47,011	168,855	0	0	9,516	311,999	3,985
Adjustment to remove ESPO balances	0	(548)	0	0	0	0	(548)	0
Depreciation charge	25,139	9,363	20,888	0	0	264	55,654	1,093
Depreciation written out to Revaluation reserve	(13,176)	0	0	0	0	(28)	(13,204)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(37,546)	0	0	0	0	(76)	(37,622)	(1,614)
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	(3,645)	0	0	0	0	0	(3,645)	0
- the surplus or deficit on provision of services	(9,459)	256	0	0	0	94	(9,109)	(192)
Derecognition - disposals	(5,848)	(17,866)	0	0	0	0	(23,714)	(202)
Reclassifications and transfers	(255)	0	0	0	0	28	(227)	(632)
At 31 March 2014	**41,827**	**38,216**	**189,743**	**0**	**0**	**9,798**	**279,584**	**2,438**

Net Book Value:								
At 31 March 2014	**834,017**	**27,100**	**596,869**	**1**	**91,225**	**12,447**	**1,561,659**	**47,764**
At 31 March 2013	908,659	33,718	577,894	1	64,781	8,181	1,593,234	73,134

Movements in 2012-13 on Council assets:

	Land and buildings £000s	**Vehicles, plant, and equipment £000s**	**Infrastructure £000s**	**Community assets £000s**	**Assets under construction £000s**	**Surplus assets £000s**	**Total Property, Plant and Equipment £000s Restated**	**PFI Assets included in Property, Plant and Equipment £000s**
Cost or Valuation								
At 1 April 2012	1,022,388	85,475	699,332	1	45,585	14,652	1,867,433	70,580
Additions	22,615	7,189	48,011	0	20,155	9,244	107,214	2,601
Revaluation increases/(decreases):								
- to Revaluation reserve	21,767	0	0	0	0	(826)	20,941	1,606
- to surplus or deficit on provision of services	1,341	0	(499)	0	0	(2,368)	(1,526)	2,332
Derecognition - disposals	(68,420)	(11,601)	0	0	(959)	0	(80,980)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(3,611)	(3,611)	0
Reclassifications and transfers	(4,415)	(334)	(95)	0	0	606	(4,238)	0
At 31 March 2013	**995,276**	**80,729**	**746,749**	**1**	**64,781**	**17,697**	**1,905,233**	**77,119**
Accumulated Depreciation and Impairment								
At 1 April 2012	74,411	44,348	148,726	0	0	302	267,787	2,448
Depreciation charge	24,387	11,861	20,072	0	0	258	56,578	1,537
Depreciation written out to Revaluation reserve	(4,477)	0	0	0	0	(112)	(4,589)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(6,432)	0	0	0	0	(178)	(6,610)	0
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	(3,254)	0	0	0	0	0	(3,254)	0
- the surplus or deficit on provision of services	6,255	0	0	0	0	9,244	15,499	0
Derecognition - disposals	(1,031)	(8,864)	0	0	0	0	(9,895)	0
Reclassifications and transfers	(3,242)	(334)	57	0	0	2	(3,517)	0
At 31 March 2013	**86,617**	**47,011**	**168,855**	**0**	**0**	**9,516**	**311,999**	**3,985**
Net Book Value:								
At 31 March 2013	**908,659**	**33,718**	**577,894**	**1**	**64,781**	**8,181**	**1,593,234**	**73,134**
At 31 March 2012	947,977	41,127	550,606	1	45,585	14,350	1,599,646	68,132

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. No depreciation is charged on land and other assets are being depreciated over their useful economic lives, or in the case of assets acquired under finance leases, over the period of the lease using the straight line method.

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Buildings	5 - 60 years
Vehicles, plant, furniture and equipment	3 - 20 years
Infrastructure	20 - 40 years

Depreciation for assets acquired or disposed of during the year is calculated on a pro rata basis from the date of acquisition or disposal. This charge is for accounting purposes only and has no implications for the County Council's Council Tax. The total depreciation charged to services for the year was £55.655m (£55.927m in 2012-13).

Capital commitments

The Council's approved capital programme in 2013-14, revised for additional external funding and movement between years totals £249.684m in the years 2014-15 to 2016-17 and beyond. Of this total £122.200m relates to the estimated future payments on schemes started before 31 March 2014.

In comparison, the revised programme in 2012-13 totalled £290.526m for the years 2013-14 to 2015-16 and beyond. Of this total, £80.497m related to the estimated future payments on schemes started before 31 March 2013.

At 31 March 2014, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2014-15 and future years on schemes listed in the table below. Similar commitments at 31 March 2013 were £50.678m. The major commitments are:

Service/Scheme	**Contract Completion**	**£000s**
Environment, Transport and Development		
Postwick Hub – junction improvements	2015-16	19,000
Fire and Rescue		
Kings Lynn Satellite Fire Station	2014-15	1,862
Resources		
County Hall Refurbishment	2015-16	18,514
Better Broadband – extension of community broadband in Norfolk	2015-16	24,586
Digital Norfolk Ambition - equipment	2014-15	2,857
		66,819

In addition to the above, three contracts commenced 1 April 2014 for highways maintenance and construction, highways design and professional services, and traffic signals maintenance and improvement. The total highways capital budgets 2014-17 including these services totals £83.463m.

Revaluations

The Council carries out a rolling programme that ensures that all its property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by NPS Property Consultants Ltd, a subsidiary of Norse Group Limited which is owned by the Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- Property, Plant and Equipment

  Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the service, suitably adjusted to reflect for age, wear and tear and obsolescence of the existing asset (Fair Value less depreciated replacement cost).

  Operational properties of a non-specialised nature have been valued at existing use value.

  Surplus property, plant and equipment have been valued at existing use value, with the use being defined as the property's last operational use

- Infrastructure Assets, Community Assets and Assets under Construction have been valued at historic cost rather than fair value.
- Leases

  Property leases have been split between finance and operating leases and valued accordingly.
- Investment Property

  These have been valued at fair value.
- Assets held for Sale

  These have been valued on the basis of market value with the value reported being the estimated sale price.

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

Valued at:	Land and Buildings	Vehicles, plant and equipment	Infrastructure Assets	Community Assets	Surplus assets
	£000s	£000s	£000s	£000s	£000s
Carried at Historical Cost	0	27,100	596,868	1	0
Valued at current value in:					
2013-14	686,641	0	0	0	7,772
2012-13	48,837	0	0	0	2,429
2011-12	61,315	0	0	0	593
2010-11	16,794	0	0	0	820
2009-10	20,429	0	0	0	833
Total	**834,016**	**27,100**	**596,868**	**1**	**12,447**

In addition to the five year rolling programme of revaluations, the Council's valuers undertake an annual review of the current property valuations to ensure that they are materially accurate for inclusion in the statement of accounts. Due to the improving economic climate, this review highlighted that the values determined in previous years were now materially different from the fair value of those assets at the end of 2013-14. As a result, the Council carried out further revaluations on assets with a Net Book Value of £527m during the year resulting in the large value of land and buildings assets revalued in 2013-14 in the above table.

Recognition of school assets

The Council has continued to recognise community and voluntary controlled (VC) schools on the balance sheet for 2013-14, based on an assessment of the control of the economic benefits and service potential of these assets.

Voluntary aided school, foundation school and academy assets remain outside the Council's accounts. When a Community or VC schools changes status to one of these categories, a "derecognition – disposal" is shown above in the Movement in Council Assets.

14. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Council.

	Windmills and Windpumps £000s	Other Heritage Assets £000s	Total Assets £000s
Cost or valuation			
1 April 2013	5,049	834	5,883
Disposals	(446)	0	(446)
Revaluations	679	0	679
At 31 March 2014	**5,282**	**834**	**6,116**
Cost or valuation			
1 April 2012	5,049	674	5,723
Additions	0	160	160
At 31 March 2013	**5,049**	**834**	**5,883**

The Authority's windmills, watermills and drainage mills are reported in the Balance Sheet at buildings insurance valuation which is based on replacement cost. The disposal shown above relates to the surrender of a lease on one windmill.

The material items valued as other heritage assets are significant individual museums collection items including a Panhard-Levassor Car exhibited at Gressenhall, and archives purchased by the Authority such as the William Gunn collection, the Broadland Swan Roll, and the John Sell Cotman letters collections which are valued at purchase cost.

Heritage Assets: summary of transactions

	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s
Purchase of manuscripts, papers and archives of local historical interest	126	174	160	0
Total cost of acquisitions of heritage assets	**126**	**174**	**160**	**0**
Disposal of windmill	0	0	0	(446)
Total disposals of heritage assets	**0**	**0**	**0**	**(446)**

The summary of transactions does not reflect transactions prior to 1 April 2010 as it is not practicable to do so, given that there was no requirement to account for Heritage Assets as a separate class of assets prior to that date.

15. Investment Properties

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

	2012-13 £000s	2013-14 £000s
Rental income from investment property	528	505
Direct operating expenses arising from investment property	(6)	(410)
Net gain/(loss)	**522**	**95**

A significant proportion of the value of investment properties are represented by agricultural land with development potential, and an industrial estate. There are no inherent restriction on the sale of the land, but its ownership is related to long term objectives. The Airport Industrial Estate is jointly owned by Norfolk County Council and Norwich City Council. Accordingly, any decision to realise the value in this property would be taken jointly.

Of the other investment properties, there are no legal restrictions in relation to realising their value, but many are closely linked to the day to day activities of the Council and its schools, and as such the value in these properties is not immediately realisable.

The expenses shown above related to the energy costs in respect of investment properties apart from the industrial estate where income is received net of direct operating expenses. Other operating expenses in respect of investment properties are not recorded separately. The increase in direct operating expenses relates to the former RAF Coltishall site while new income streams are investigated and secured.

The Council's obligation to repair, maintain or enhance its investment properties are commensurate with being a landlord having a variety of tenancy agreements in respect of those properties.

The following table summarises the movements in the fair value of investment properties over the year:

	2012-13 £000s	2013-14 £000s
Balance at the start of the year	**26,253**	**29,779**
Additions	4,000	0
Disposals	(404)	(637)
Net gains/(losses) from fair value investments	(7)	536
Transfers (to)/from Property, plant and equipment	29	1

Other changes	(92)	26
Balance at the end of the year	**29,779**	**29,705**

16. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and software, all given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The table for 2013-14 includes an adjustment to remove the balances for ESPO as this is no longer reflected in the Council's accounts as detailed in the Explanatory Foreword and Note 32

Software licences are held for the Council's finance systems and a Corporate Asset Management system. The costs are being written off over five years.

The software relates to:

- Upgrading the IT infrastructure for schools including Broadband Internet Connection.
- The Council's Payroll system (IHRIS).
- Modern Social Care system, used by Adult Social Care and Children's Social Services.

Additions include budget management and invoice management systems.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.029m charged to revenue in 2013-14 was charged to Education and Children's Services. A further £0.070m was charged to Support Services whose costs are apportioned between all departments in the Cost of Services.

The movement on the Council balances during the year:

	2012-13 £000s	2013-14 £000s
Balance at the start of the year:		
- Gross carrying amounts	38,017	36,672
- Accumulated amortisation	(33,376)	(35,189)
Net carrying amount at the start of the year	**4,641**	**1,483**
Adjustment to remove ESPO balances	0	(44)
Additions (purchases)	0	371
Other disposals	(61)	(27)
Amortisation for the period	(3,097)	(1,099)
Net carrying amount at the end of the year	**1,483**	**684**
Comprising:		
- Gross carrying amounts	36,672	36,687
- Accumulated amortisation	(35,189)	(36,003)
	1,483	**684**

17. Financial Instruments

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

		Long Term		Current	
		31 March 2013 £000s	**31 March 2014 £000s**	**31 March 2013 £000s**	**31 March 2014 £000s**
Investments:					
Loans and receivables		0	0	152,910	152,750
Available for sale financial assets	(i)	1,238	1,238	0	0
Icelandic Bank Investments	(ii)	7,441	286	1,501	156
Accrued interest on Icelandic Bank Investments	(ii)	(1,120)	(4)	(407)	(18)
Total included in Investments		**7,559**	**1,520**	**154,004**	**152,888**

		Long Term		Current	
		31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Debtors:					
Loans and receivables	(iii)	5,130	9,614	57,826	96,819
Soft Loans (legal charges on property)	(iv)	2,375	2,448	937	520
Total included in Debtors		**7,505**	**12,062**	**58,763**	**97,339**
Borrowings:					
Financial liabilities at amortised cost:					
Principal amount		505,268	494,230	8,722	9,000
Accrued interest		0	0	6,650	6,533
Other accounting adjustments		2,416	2,381	0	0
Total included in Borrowings		**507,684**	**496,611**	**15,372**	**15,533**
Other Long Term Liabilities:					
PFI and finance lease liabilities		64,662	62,043	3,508	2,904
Total included in Other Short and Other Long Term Liabilities		**64,662**	**62,043**	**3,508**	**2,904**
Creditors:					
Financial liabilities at amortised cost		0	0	103,465	125,757
Total included in Creditors		**0**	**0**	**103,465**	**125,757**

(i) The available for sale assets are the Council's investments in Norwich Airport (£1.236m) and in two other companies associated with the Airport - Legislator 1656 and Legislator 1657 (£0.002m). Available for sale assets in the table above specifically excludes the Council's investment of £11.963m in Norse Group Ltd as the company is included in the Council's Group Accounts. None of the companies are quoted on the stock exchange, the share holdings on the balance sheet are shown at cost in line with the Council's accounting policy.

(ii) The total shown for Icelandic Bank investments of £0.420m at 31 March 2014 reflects the carrying value as set out in Note 7 for Kaupthing Singer and Friedlander. Based on the current information and advice available, it is anticipated that £0.156m of the impaired total will be received during 2014-15 and this has been included in short term investments. The remaining balance of £0.282m is included within long term investments. At 31 March 2014, the Council had also received Icelandic kroner from the Glitnir Winding Up Board. The Icelandic kroner is subject to restrictions imposed by the Icelandic Government and the cash is held in an escrow account in Iceland. At 31 March 2014 the Icelandic kroner has been converted to pounds sterling totalling £1.674m and this has been included within the short term investments total in the table above.

(iii) The debtors and creditors total in the table above excludes non contractual items (e.g. council tax) as these are not financial instruments.

(iv) The soft loans represent the total of deferred payment agreements where residential care clients have exercised their option to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value shown includes an interest element based on the average rate of interest payable on the Council's debt for the year (5.25%).

The Council makes loans for car purchase to 73 employees in the authority who are in posts that require them to drive regularly on the Council's business. No Interest is charged on the loans but the Council assesses that an unsubsidised rate for such loans would have been 5.25%.

Income, Expense, Gains and Losses

	2012-13				2013-14			
	Financial Liabilities measured at amortised cost	Financial Assets:		Total	Financial Liabilities measured at amortised cost	Financial Assets:		Total
		Loans and Receivables	Available for Sale			Loans and Receivables	Available for Sale	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest expense	34,089	0	0	34,089	33,653	0	0	33,653
Impairment on (Iceland Banks)	0	70	0	70	0	(61)	0	(61)
Discount received on debt restructuring	0	0	0	0	0	(55)	0	(55)
Total expense in Surplus/Deficit on the Provision of Services	34,089	70	0	34,159	33,653	(116)	0	33,537
Interest Income	0	(4,450)	0	(4,550)	0	(2,640)	0	(2,640)
Interest income accrued on impaired financial assets	0	(542)	0	(542)	0	(372)	0	(372)
Total income in Surplus/Deficit on the Provision of Services	0	(4,992)	0	(4,992)	0	(3,012)	0	(3,012)
Net gain/(loss) for the year	**34,089**	**(4,922)**	**0**	**29,167**	**33,653**	**(3,128)**	**0**	**30,525**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. The following assumptions should be noted:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date.
- The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Available for sale assets are the Council's investment in Norwich Airport and the Airport Legislator companies and are shown at cost in line with the Council's accounting policy. This is taken to be an approximation of fair value.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities	591,226	777,809	570,563	709,777
Loans and receivables	169,068	169,068	166,470	166,470

The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

18. Inventories

The table provides details of inventories included in current assets on the balance sheet. The table for 2013-14 includes an adjustment to remove the balances for ESPO as this is no longer reflected in the Council's accounts as detailed in the Explanatory Foreword and Note 32.

	2012-13 £000s	2013-14 £000s
Balance outstanding at start of year	2,388	1,635
Adjustment to remove ESPO balance		(985)
Purchases	11,953	4,533
Recognised as an expense in year	(11,939)	(4,526)
Written off balances	(767)	(155)
Balance outstanding at year end	**1,635**	**502**

19. Debtors

These are people and organisations that owe money to the Council at the end of the year. Short term debt is money expected to be paid within 12 months of the balance sheet date. Money due after this period is accounted for as long term. The other local authorities total includes the adjustment for the Council's share of collection fund arrears and bad debt provision, as advised by the District Councils, in relation to the collection of council tax and business rates. The total for other entities and individuals includes prepayments and an adjustment for impairment (allowance for bad/doubtful debts).

	Long Term Debtors		Short Term Debtors	
	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Central Government bodies	0	0	7,253	24,544
Other local authorities	939	780	12,421	18,015
NHS bodies	0	0	7,716	12,851
Public Corporations and Trading Funds	0	0	1	0
Residential care debt secured by legal charge	4,772	5,829	2,107	1,697
Norse Group Ltd	1,061	955	2,016	3,131
Employee car loans	165	211	0	141
Prepayments	0	0	14,460	15,653
Other entities and individuals	568	4,287	29,381	43,667
Bad debt provision	0	0	(1,101)	(992)
	7,505	**12,062**	**74,254**	**118,707**

20. Cash and Cash Equivalents

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

	31 March 2013 £000s	31 March 2014 £000s
Cash and Bank balances	5,117	(4,545)
Short term deposits with the Money Market	65,029	54,042
	70,146	**49,497**

21. Assets Held for Sale

This table shows details of Assets Held for Sale in the balance sheet:

Current Assets	2012-13 £000s	2013-14 £000s
Balance outstanding at start of year	**1,826**	**1,915**
Assets newly classified as held for sale:		
Property plant and equipment	3,611	3,609
Assets declassified as held for sale:		
Property plant and equipment	0	(496)
Assets sold	(3,522)	(4,978)
Other Movements	0	(50)
Balance outstanding at year end	**1,915**	**0**

22. Creditors

The table provides details of creditors included in current liabilities on the balance sheet. The other local authorities figure includes the Council's share of the creditor balances, as advised by the District Councils, in relation to the collection of council tax and business rates.

	Short Term Creditors	
	31 March 2013 £000s	**31 March 2014 £000s**
Central Government bodies	22,451	16,069
Other local authorities	8,178	11,746
NHS bodies	6,745	6,502
Public Corporations and Trading Funds	33	23
Receipts in advance	1,742	1,854
Other entities and individuals	85,134	96,239
	124,283	**132,433**

23. Provisions

The County Council has made a number of provisions to set aside sums to meet liabilities that are likely or certain to be incurred but where the amount or timing of the payments is not known. Details of these provisions are as follows:

	Balance at 31 March 2013	Additional provisions made in 2013-14	Amounts used in 2013-14	Balance at 31 March 2014
	£000s	**£000s**	**£000s**	**£000s**
Children's Services Provision for Holiday Pay	17	0	0	17
EU Regulations-Retained Fire Fighters	850	127	(127)	850
Insurance	12,394	5,701	(5,154)	12,941
Landfill Provision	9,244	387	(442)	9,189

Potential pension liability	1,270	100	0	1,370
Redundancy	5,269	3	(108)	5,164
Total	**29,044**	**6,318**	**(5,831)**	**29,531**
Consists of:				
Current Provisions	8,104	1,352	(1,937)	7,519
Long Term Provisions	20,940	4,966	(3,894)	22,012
Total	**29,044**	**6,318**	**(5,831)**	**29,531**

Children's Services Provision for Holiday Pay

This provision is to fund the reimbursement of former County Council employees frozen holiday pay, where the employee is now employed by Norse Commercial Services Ltd. Payment is made to the employee at the time of their retirement, the majority of which is anticipated to take place over the next ten years.

EU Regulations-Retained Fire Fighters

In December 2000 the Fire Brigades Union (FBU) lodged cases on behalf of their Retained Duty System members under the Part-Time Workers Regulations claiming specifically that their members had been treated less favourably than full time colleagues in relation to pension scheme membership, sick pay and acting up payments.

Insurance

This is used to meet insurance claims funded by the Council. From 1 April 1992 to 31 March 1994 the County Council self funded the first £100,000 of each and every employers and public liabilities insurance claims. This self insurance provision was then extended to include the first £250,000 of each and every liability, motor and property claim and is currently funded to meet all known claims that are due to be paid by the Council beneath this level. The provision includes claims that have been incurred but not reported (IBNR) to the Council.

Landfill

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

Potential Pensions Liability

This was created to meet the potential pension liability arising from the transfer of staff to the Norfolk and Waveney Mental Health NHS Foundation Trust.

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.

24. Balance Sheet: Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in notes 8 and 9.

25. Balance Sheet: Unusable Reserves

	31 March 2013 £000s	31 March 2014 £000s
Revaluation Reserve	183,885	202,037
Capital Adjustment Account	786,250	756,206
Financial Instruments Adjustment Account	(2,704)	(2,726)
Collection Fund Adjustment Account	3,740	4,385
Pensions Reserve	(823,518)	(867,002)
Deferred Capital Receipts Reserve	0	0
Accumulated Absences Account	(12,602)	(13,837)
	135,051	**79,063**

Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	2012-13 £000s	2013-14 £000s
Balance at 1 April	**175,478**	**183,885**
Adjustment to remove ESPO balances	0	(21)
Upward revaluation of assets	40,439	71,857
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(11,655)	(19,385)
(Surplus) or deficit on revaluation of non current assets not posted to the Comprehensive Income and Expenditure Statement	28,784	52,451
Difference between fair value depreciation and historical cost depreciation	(2,524)	(2,251)
Accumulated gains on assets sold or scrapped	(17,853)	(32,048)
Amount written off to the Capital Adjustment Account	(20,377)	(34,299)
Balance at 31 March	**183,885**	**202,037**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012-13 £000s	2013-14 £000s
Balance at 1 April	**783,724**	**786,250**
Adjustment to remove ESPO balances	0	(448)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(80,459)	(46,546)
Revaluation gains/(losses) on property, plant and equipment	8,919	49,578

Movement in the fair value of investment properties	0	536
Amortisation of intangible assets	(3,097)	(1,099)
Revenue expenditure funded from capital under statute	(19,101)	(20,880)
Income recognised through Taxation & Non-Specific Grant Income for Donated Assets	0	3,098
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 10)	(75,060)	(180,475)
	(168,798)	(196,236)
Adjusting amounts written out of the Revaluation Reserve	20,377	34,299
Net written out amount of the cost of non current assets consumed in the year	(148,421)	(161,937)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	9,079	6,499
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	67,101	53,905
Application of grants to capital financing from the Capital Grants Unapplied Account	20,654	27,672
Statutory provision for the financing of capital investment charged against the General Fund	30,934	26,924
Capital expenditure charged against the General Fund	23,981	15,091
	151,749	130,091
Other Adjustments	(802)	1,802
Balance at 31 March	**786,250**	**756,206**

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage discounts received on the early redemption of loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the discount is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is ten years from the date of repayment, which was May 2009. As a result the balance on the Account at 31 March 2014 will be charged to the General Fund on a straight line basis until May 2019.

	2012-13 £000s	2013-14 £000s
Balance at 1 April	**(2,682)**	**(2,704)**
Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(55)	(55)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	33	33

Balance at 31 March	**(2,704)**	**(2,726)**

Collection Fund Adjustment Account

This account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the District Council's Collection Funds.

	2012-13 £000s	2013-14 £000s
Balance at 1 April	**3,687**	**3,740**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	53	645
Balance at 31 March	**3,740**	**4,385**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements are designed to ensure that funding will have been set aside by the time the benefits come to be paid.

	2012-13 £000s	2013-14 £000s
Balance at 1 April	**(678,423)**	**(823,518)**
Remeasurements of the defined benefit liability/(asset)	(130,306)	25,585
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	(68,032)	(87,312)
Employers pensions contributions and direct payments to pensioners payable in the year	53,243	52,412
Adjustment for transfer of pension liability from Norse Group Ltd (Note 39)	0	(34,169)
Balance at 31 March	**(823,518)**	**(867,002)**

Deferred Capital Receipts Reserve

This account holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

A loan made to Norse Commercial Services Ltd, a member of Norse Group Ltd., as part funding of the acquisition of property purchased from the Council in 2009-10, was fully repaid during 2012-13 and the balance transferred to the Capital Receipts Reserve.

	2012-13 £000s	2013-14 £000s
Balance at 1 April	**3,553**	**0**
Amounts paid during the year	(3,553)	0

	2012-13 £000s	2013-14 £000s
Balance at 31 March	**0**	**0**

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.

	2012-13 £000s	2013-14 £000s
Balance at 1 April	**(13,856)**	**(12,602)**
Settlement or cancellation of accrual made at the end of the preceding year	13,856	12,602
Amounts accrued at the end of the current year	(12,602)	(13,837)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,254	(1,235)
Balance at 31 March	**(12,602)**	**(13,837)**

26. Cash Flow Statement - Operating Activities (Interest)

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

	2012-13 £000s	2013-14 £000s
Interest received	(5,008)	(4,617)
Interest paid	34,174	33,509

27. Cash Flow Statement - Investing Activities

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

	2012-13 £000s	2013-14 £000s
Purchase of property, plant and equipment, investment property and intangible assets	116,269	84,305
Purchase of short term and long term investments	56,465	122
Other payments for investing activities	2,646	7,190
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,487)	(7,175)
Other receipts from investing activities	(99,987)	(84,868)
Net cash flows from investing activities	**66,906**	**(426)**

28. Cash Flow Statement - Financing Activities

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

	2012-13 £000s	2013-14 £000s
Cash receipts of short term and long term borrowing	(674)	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,145	0

Repayments of short term and long term borrowing	13,860	8,718
Other payments from financing activities	0	2,512
Net cash flows from financing activities	**16,331**	**11,230**

29. Amounts reported for Resource Allocation Decisions

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

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

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

Portfolio Income and Expenditure for 2013-14

	Children's Services £000s	Community Services £000s	Environment, Transport and Development £000s	Fire and Rescue Services £000s	Corporate Resources £000s	Total £000s
Fees, Charges & Service Income	(550,664)	(75,771)	(90,249)	(1,693)	(398,398)	(1,116,775)
Government Grants	(465,792)	(49,389)	(5,648)	(1,072)	(52,163)	(574,064)
Total Income	**(1,016,456)**	**(125,160)**	**(95,897)**	**(2,765)**	**(450,561)**	**(1,690,839)**
Employee Expenses	381,007	52,940	27,712	22,700	58,039	542,398
Other Service Expenses	329,340	332,486	139,125	6,324	483,146	1,290,421
Support Service Recharges	452,917	14,747	22,374	65	8,984	499,087
Total Expenditure	**1,163,264**	**400,173**	**189,211**	**29,089**	**550,169**	**2,331,906**
Net Expenditure	**146,808**	**275,013**	**93,314**	**26,324**	**99,608**	**641,067**
Revenue Support Grant						(203,558)
Business Rates						(135,399)
Net outturn reported to management						**302,110**

Portfolio Income and Expenditure: Comparative totals for 2012-13

	Children's Services £000s	Community Services £000s	Environment, Transport and Development £000s	Fire and Rescue Services £000s	Corporate Resources £000s	Total £000s
Fees, Charges & Service Income	(551,583)	(72,740)	(79,266)	(2,093)	(304,299)	(1,009,981)
Government Grants	(509,469)	(86,712)	(6,507)	(1,056)	(12,989)	(616,733)
Total Income	**(1,061,052)**	**(159,452)**	**(85,773)**	**(3,149)**	**(317,288)**	**(1,626,714)**
Employee Expenses	405,099	65,350	27,995	22,793	52,362	573,599
Other Service Expenses	323,250	313,637	136,144	6,621	356,071	1,135,723
Support Service Recharges	469,011	12,735	22,967	60	4,520	509,293
Total Expenditure	**1,197,360**	**391,722**	**187,106**	**29,474**	**412,953**	**2,218,615**

Net Expenditure	**136,308**	**232,270**	**101,333**	**26,325**	**95,665**	**591,901**

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

	2012-13	**2013-14**
	£000s	**£000s**
Net expenditure in portfolio analysis	591,901	641,067
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	117,738	41,543
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(30,959)	(74,092)
Cost of Services in Comprehensive Income and Expenditure Statement	**678,680**	**608,518**

Reconciliation to Subjective Analysis

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

2013-14	**Portfolio Analysis**	**Not reported to Management**	**Not included in I&E Account**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & service income	(1,116,775)	(2,136)	521,900	499,087	(97,924)	(377)	(98,301)
(Surplus) or deficit on associates/joint ventures						2,091	2,091
Interest & investment income			196		196	(3,012)	(2,816)
Income and expenditure in relation to investment properties						(95)	(95)
Income from council tax						(305,434)	(305,434)
Government grants & contributions	(574,064)		23,989		(550,075)	(446,757)	(996,832)
Total Income	**(1,690,839)**	**(2,136)**	**546,085**	**499,087**	**(647,803)**	**(753,584)**	**(1,401,387)**
Employee expenses	542,398	52,519	(51,156)		543,761	36,929	580,690
Other service expenses	1,290,421		(562,770)		727,651		727,651
Support service recharges	499,087			(499,087)	0		0
Depreciation, amortisation & impairment		(8,840)			(8,840)		(8,840)
Interest payments			(6,251)		(6,251)	33,537	27,286
Precepts & Levies						1,231	1,231
(Gain) or loss on disposal of fixed assets						173,890	173,890
Total expenditure	**2,331,906**	**43,679**	**(620,177)**	**(499,087)**	**1,256,321**	**245,587**	**1,501,908**
(Surplus) or Deficit	**641,067**	**41,543**	**(74,092)**	**0**	**608,519**	**(507,997)**	**101,521**

on the Provision of Services							

2012-13	**Portfolio Analysis**	**Not reported to Management**	**Not included in I&E Account**	**Allocation of Recharges**	**Net Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(1,009,981)		408,911	509,293	(91,777)	(408)	(92,185)
(Surplus) or deficit on associates/joint ventures						(303)	(303)
Interest & investment income			235		235	(4,992)	(4,757)
Income and expenditure in relation to investment properties						(508)	(508)
Income from council tax						(347,513)	(347,513)
Government grants & contributions	(616,733)		95,133		(521,600)	(452,089)	(973,689)
Total Income	**(1,626,714)**	**0**	**504,279**	**509,293**	**(613,142)**	**(805,813)**	**(1,418,955)**
Employee expenses	573,599	43,230	(54,498)		562,331	24,802	587,133
Other service expenses	1,135,723		(474,524)		661,199		661,199
Support service recharges	509,293			(509,293)			0
Depreciation, amortisation & impairment		74,508			74,508		74,508
Interest payments			(6,216)		(6,216)	34,159	27,943
Precepts & Levies						1,245	1,245
(Gain) or loss on disposal of fixed assets						70,140	70,140
Total expenditure	**2,218,615**	**117,738**	**(535,238)**	**(509,293)**	**1,291,822**	**130,346**	**1,422,168**
(Surplus) or Deficit on the Provision of Services	**591,901**	**117,738**	**(30,959)**	**0**	**678,680**	**(675,467)**	**3,213**

30. Trading Operations

The Council has established a number of trading operations where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units with a turnover greater than £1.5m are shown below. The figures for each trading operation reflect adjustments, where appropriate, for pension adjustments in accordance with our accounting policy.

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement.

ETD Highways Works is the in-house delivery vehicle for the Council's Highways routine and winter maintenance services to the public. During 2013-14, the activities of the service were reviewed with the result that Highway Works is no longer performed as a trading operation. Two new trading operations – Highways laboratory and Hethel Engineering Centre have been established within the service but the turnover for both operations is below £1.5m so neither of these are included in the note below.

Legal Services is a support service to the Council's services to the public and their expenditure is recharged to various service headings in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Only the net surplus of Legal Services is shown in Finance and Investment Income and Expenditure (see note 11).

		2012-13 £000s	2013-14 £000s
Included in Highways and Transport Services:			
ETD Highways Works: operates as an in-house facility for the provision of routine and winter maintenance facilities for Norfolk highways, on behalf of the Council.	Turnover	(21,798)	0
	Expenditure	20,280	0
	Surplus	(1,518)	0
Included in Financing and Investment Income and Expenditure			
Legal Services: advises on the legal aspects of all the County Council's work and provides legal representation to the County Council in a range of Courts and Tribunals. The unit also provides a legal service to a small number of outside bodies.	Turnover	(7,092)	(6,947)
	Expenditure	6,684	6,570
	Surplus	(408)	(377)
Net (surplus)/deficit on all trading operations		**(1,926)**	**(377)**

31. Agency Services

The County Council administers money on behalf of the Clinical Commissioning Groups (formerly Primary Care Trusts) under Section 28 agreements. For 2013-14 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £13.483m (£9.812m in 2012-13).

32. Joint Committees

The Council is a member of three Joint Committees – Eastern Shires Purchasing Organisation (ESPO), Norfolk Museums and Archaeology, and Records. The County Council accounts include all of the Council's revenue transactions, assets and liabilities relating to the Museums and Records Committees.

The Council is a member, along with six other local authorities, of ESPO. The Council has no control over the day to day operations of ESPO, but as a member of the consortium has a share of the company equating to 22.3% (22.3% in 2012-13) calculated as a proportion of the Council's share of ESPO's turnover.

As part of the ongoing review of the accounts content in terms of materiality and ease of understanding, there are no longer adjustments made in the Council's accounts for transactions and assets and liabilities of the Council's share of ESPO . The totals for 2012-13 have not been restated, but opening balance adjustments have been made to the property, plant and equipment, earmarked reserves and inventories notes.

Further information on each of the Joint Committees can be found in their own Statements of Accounts.

33. Pooled Funds

Norfolk County Council is a partner in two pooled funds for which details are shown 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. Parties to the fund only contribute a nominal sum to it and the County Council now receives funding directly from Central Government as part of the formula funding. Income and expenditure for 2013-14 are nil (nil in 2012-13).

Norfolk Pharmaceutical and Medicines Management Pooled Fund

From 1 September 2003, Norfolk County Council and the Clinical Commissioning Groups (CCG's) (previously the Norfolk Primary Care Trusts) entered into an agreement to provide a pharmaceutical and medicines management service in Norfolk. Norfolk County Council provides financial management for the Pooled Fund.

	2012-13 £000s	2013-14 £000s
Gross Income	(324)	(341)
Expenditure	231	290
(Surplus)/Deficit	**(93)**	**(51)**
Council's Contribution	23	25

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

- Mental Health Pooled Fund

From 1 November 2008, Norfolk County Council and the Norfolk and Waveney Mental Health Partnership NHS Foundation Trust (now Norfolk and Suffolk NHS Foundation Trust) entered into an agreement to provide further integration of the mental health service for adults of a working age. This enables the Trust to exercise the Council's functions on behalf of the Council, in conjunction with its own NHS functions under the terms of this agreement. Norfolk and Suffolk NHS Foundation Trust provides financial management for the Pooled Fund.

	2012-13	2013-14
	£000s	**£000s**
Gross Income	(4,481)	(4,479)
Expenditure	4,404	4,479
(Surplus)/Deficit	**(77)**	**0**
Council's Contribution	4,481	4,479

The agreement with the Trust is that the annual sum paid to the Trust will not vary in the event of an overspend or underspend by the Trust in a financial year. Underspends in the year will be carried forward by the Trust.

34. Members Allowances

The total amount of members allowances paid in the year was £1.060m (£1.103m in 2012-13).

35. Officers Remuneration

(i) Council's senior employees:

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

Remuneration is deemed to include:

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

Figures in the tables have been rounded to the nearest hundred pounds.

Senior Officer Remuneration Table – 2013-14

Position & Postholder		**Salary**	**Expenses Allowances**	**Compensation for loss of office**	**Sub Total**	**Employer Pension contributions**	**Total**
Acting Managing Director: A Gibson	Note A	158,800	0	0	**158,800**	24,600	**183,400**
Director of Children's Services: L Christensen	Note B	41,200	0	145,400	**186,600**	6,400	**193,000**
Interim Director of Children's Services: S Lock	Note B	182,900	0	0	**182,900**	N/A	**182,900**
Director of Community Services: H Bodmer		139,500	1,000	0	**140,500**	21,600	**162,100**
Director of Environment, Transport and Development: M Jackson	Note C	82,500	0	0	**82,500**	12,800	**95,300**
Director of Environment, Transport and Development: T McCabe	Note C	98,500	0	0	**98,500**	N/A	**98,500**

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Chief Fire Officer: N Williams		125,300	300	0	**125,600**	26,700	**152,300**
Head of Finance: P Brittain	Note D	62,300	0	0	**62,300**	9,200	**71,500**
Interim Head of Finance: P Timmins	Note D	95,400	0	0	**95,400**	N/A	**95,400**
Acting Head of HR and Organisational Development: A Sharp		79,000	0	0	**79,000**	12,200	**91,200**
Head of Planning, Performance and Partnerships: D Bartlett		103,000	0	0	**103,000**	16,000	**119,000**
Head of Customer Service and Communications: J Hannam		103,000	0	0	**103,000**	16,000	**119,000**
Interim Director of Public Health: L M Macleod	Note E	117,400	0	0	**117,400**	16,400	**133,800**
Head of Law and Monitoring Officer: V McNeill		89,500	0	0	**89,500**	13,900	**103,400**

Note A: Ann Gibson was appointed Acting Managing Director from 6 April 2013.

Note B: Lisa Christensen was the Director of Children's Service until 17 July 2013. The compensation for loss of office consists of a payment in lieu of notice of £23,200 plus the cost to the County Council of terminating employment of £122,200 (employer pension strain). From 1 August 2013 the Council engaged the services of an interim Director.

Note C: The Director of Environment, Transport and Development was Michael Jackson until 3 November 2013 when the post was filled by the appointment of an interim Director.

Note D: Paul Brittain was the Head of Finance until 30 September 2013 when the post was filled by the appointment of an interim Head of Finance.

Note E: On 1 April 2013 Public Health staff and services were transferred from primary care trusts to local authorities. The Head of Public Health was appointed to the Council at that time.

Senior Officer Remuneration Table – 2012-13

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Chief Executive : D White	2012-13	205,300	0	163,700	**369,000**	31,800	**400,800**
Director of Children's Services: L Christensen	2012-13	139,500	600	0	**140,100**	21,600	**161,700**
Director of Community Services: H Bodmer)	2012-13	139,500	1,000	0	**140,500**	21,600	**162,100**
Director of Environment,	2012-13	138,500	0	0	**138,500**	21,500	**160,000**

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Transport and Development : M Jackson							
Chief Fire Officer : N Williams	2012-13	125,600	2,500	0	**128,100**	26,700	**154,800**
Head of Finance : P Brittain	2012-13	116,000	0	0	**116,000**	18,000	**134,000**
Head of HR and Organisational Development : A Gibson	2012-13	100,000	0	0	**100,000**	15,500	**115,500**
Head of Planning, Performance and Partnerships : D Bartlett	2012-13	100,000	0	0	**100,000**	15,500	**115,500**
Head of Customer Service and Communications : J Hannam	2012-13	100,000	0	0	**100,000**	15,500	**115,500**
Head of Law and Monitoring Officer : V McNeill	2012-13	89,500	700	0	**90,200**	13,900	**104,100**

(ii) The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts.

Remuneration Band	2012-13			2013-14		
	School Staff	Other Staff	Total Employees	School Staff	Other Staff	Total Employees
£50,000 - £54,999	121	89	210	110	89	199
£55,000 - £59,999	88	78	166	79	74	153
£60,000 - £64,999	50	22	72	29	37	66
£65,000 - £69,999	22	15	37	27	12	39
£70,000 - £74,999	11	5	16	8	8	16
£75,000 - £79,999	10	0	10	7	4	11
£80,000 - £84,999	5	4	9	8	1	9
£85,000 - £89,999	9	11	20	5	10	15
£90,000 - £94,999	1	1	2	5	2	7
£95,000 - £99,999	0	3	3	2	1	3
£100,000 - £104,999	1	3	4	0	1	1
£105,000 - £109,999	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	1	1	2

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

Exit Package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
							£000s	£000s
£0 – £20,000	229	87	148	250	377	337	2,602	2,072
£20,001 - £40,000	20	21	26	28	46	49	1,256	1,267
£40,001 - £60,000	4	2	6	11	10	13	495	620
£60,001 - £80,000	2	2	5	2	7	4	465	260
£80,001 - £100,000	0	0	1	1	1	1	81	88
£100,001-£150,000	0	0	0	1	0	1	0	145
Over £150,000	1	0	0	0	1	0	164	0
Total	**256**	**112**	**186**	**293**	**442**	**405**	**5,063**	**4,452**

The Council terminated the contracts of a number of employees in 2013-14, incurring liabilities of £4.452m (£5.063m in 2012-13). Of this total, £0.145m is payable to the Director of Children's Services in the form of compensation for loss of office. The remaining £4.181m is payable to 356 officers from Service departments who were made redundant as part of the Council's rationalisation of these Services

36. 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 statutory inspections provided by the Council's external auditors:

	2012-13	2013-14
	£000s	**£000s**
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor	180	170
Fees payable to Ernst & Young for the certification of grant claims and returns	4	0
Total	**184**	**170**

37. Dedicated Schools Grant

Education authorities in England are required by the Accounts and Audit Regulations 2011 and paragraph 3.4.5.1(3) of the Code to include a note demonstrating whether the Dedicated Schools Grant has been deployed in accordance with regulations.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund Academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	2012-13 Total £000s	2012-13 Central Expenditure £000s	2012-13 Individual Schools Budget £000s	2013-14 Total £000s	2013-14 Central Expenditure £000s	2013-14 Individual Schools Budget £000s
Final DSG for the financial year (before Academy recoupment)	(515,204)			(526,026)		
Academy figure recouped	61,328			115,570		
Total DSG (after Academy recoupment)	(453,876)			(410,456)		
Plus						
Brought forward from the previous year	(5,915)			(10,030)		
Less						
Carry forward to next financial year agreed in advance	0			0		
Agreed initial budgeted distribution in the year	(459,791)	(45,108)	(414,683)	(420,486)	(49,727)	(370,759)
In year adjustments	22,075	579	21,496	0		
Final budget distribution for the year	(437,716)	(44,529)	(393,187)	(420,486)	(49,727)	(370,759)
Less						
Actual central expenditure *	34,499	34,499	0	40,412	40,412	0
Less						
Actual ISB deployed to schools	393,187	0	393,187	370,759	0	370,759
Plus						
Council contribution for the year	0	0	0	0	0	0
Carry forward to next financial year	**(10,030)**	**(10,030)**	**0**	**(9,315)**	**(9,315)**	**0**

*Note: The actual central expenditure shown in the 2012-13 accounts included sums which it was later found were not attributable to Dedicated Schools Grant. The comparative figures shown above have been amended for this.

38. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-14.

	2012-13 £000s	2013-14 £000s
Credited to Taxation and non Specific Grant Income:		
General Government Grants:		
Department for Communities and Local Government	20,938	215,727
Department for Education	37,164	5,708
Department of Health	40,310	738
Department for Transport	1,444	3,066
Department for Work and Pensions	0	2,308
Total General Government Grants	**99,856**	**227,547**
Capital Grants and Contributions:		
Department for Education	60,573	33,320

Department for Transport	28,708	36,894
Developer Contributions	11,610	6,850
Department of Health	2,229	2,247
Other Local Authorities	2,091	1,774
Department for Communities and Local Government	1,359	1,386
Health Authorities	1,125	0
Grants and Contributions less than £200,000	912	444
Total Capital Grants and Contributions	**108,607**	**82,915**
Credited to Services:		
Community Services:		
NHS Primary Care Trusts/Clinical Commissioning Groups	23,770	16,520
NHS England	0	14,956
Skills Funding Agency	4,522	5,669
Arts Council	1,854	1,748
Department of Health	0	545
Young Person Learning Agency	1,219	844
Other Local Authorities	1,575	1,187
Sport England	636	824
Heritage Lottery Fund	249	571
Museums, Libraries and Archives Council	3	0
Children's Services:		
Department for Education	455,243	448,215
Young Person Learning Agency	16,281	12,384
Grants & Contributions raised directly by schools	3,584	2,123
Department for Communities and Local Government	0	939
NHS Primary Care Trusts/Clinical Commissioning Groups	730	744
Other Local Authorities	882	533
Federation of Music Services	961	622
Home Office	380	164
Arts Council	0	204
Environment, Transport and Development:		
Department for Transport	0	1,712
Other Local Authorities	413	343
Public Health:		
Department of Health	0	29,798
Other Local Authorities	0	446
Other Services:		
Department for Media, Culture & Sport	0	5,062
Department of Health	284	0
NHS Primary Care Trusts/Clinical Commissioning Groups	261	154
Grants and Contributions less than £200,000	4,205	4,433
Total Grants and Contributions recognised in net Cost of Services	**517,052**	**550,740**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. During the year capital grants received in 2012-13 were reclassified from Capital Grants Received in Advance to the Capital Grants Unapplied Account and the totals for 2012-13 have been restated in these accounts. The balances at the year end are as follows:

	2012-13 £000s	**2013-14 £000s**
Conditional Revenue Grants & Contributions:		
Department for Education	1,707	1,252
Children's Workforce Development Council Grant	1,273	940
Department for Communities and Local Government	1,303	3,063

Skills Funding Agency	1,791	0
NHS Primary Care Trusts/Clinical Commissioning Groups	5,397	3,030
Other Revenue Grants & Contributions	428	658
Total	**11,899**	**8,943**

Capital Grants Receipts in Advance:	**restated**	
Department for Education	9,184	8,518
Department for Transport	100	97
Developer Contributions	7,595	10,560
Other Local Authorities	766	1,245
Department for Communities and Local Government	0	36
DEFRA	191	191
School Contributions	722	722
Other smaller Capital Grants & Contributions	244	220
Total Capital Grant receipts in Advance	**18,802**	**21,589**

39. Related Party Transactions

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

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government Departments are set out in the subjective analysis in note 29 on amounts reported for resources allocations decisions. Grant receipts not yet recognised due to conditions attached to them at 31 March 2014 are shown in note 38.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2013-14 is shown in note 34. 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 £1.119m (£2.502m in 2012-13) of funding to several charities for which a number of members are Trustees. Further details are available in the Register of Member's Interests.

Officers

During the year the Council wrote to all Chief Officers requesting details of any related party transactions. There are no disclosures.

Other Public Bodies:

(i) Eastern Inshore Fisheries and Conservation Authority (EIFCA) – There are four councillors that represent the council on the EIFCA.

(ii) The Council has pooled fund arrangements with Clinical Commissioning Groups. Transactions and balances outstanding are detailed in note 33.

(iii) The Council has an arrangement to administer and invest surplus cash balances for the Office of the Police and Crime Commissioner for Norfolk and Norfolk & Suffolk Probation Trust. During the financial year the average daily balances invested were £40.2m and £1.5m respectively (£33.9m and £1.5m in 2012-13). The Council paid a total for interest of £0.287m and £0.009m respectively on these deposits (£0.274m and £0.013m in 2012-13).

(iv) The Council is a member of three Joint Committees – Eastern Shires Purchasing Organisation (ESPO), Norfolk Museums and Archaeology, and Records. Material transactions with these organisations are included elsewhere in the accounts.

Pension Fund

During the financial year, the pension fund had an average daily balance of £5.9m of surplus cash deposited with the Council (£7.7m in 2012-13). The Council paid the fund a total for interest of £0.038m on these deposits (£0.067m in 2012-13). The Council charged the fund £0.006m (£0.006m in 2012-13) for expenses incurred in administering these balances.

Companies and Joint Ventures
The Council has four 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 2013-14. During the year the total values of payments made to and received from Norse Group Ltd, were £77.341m and £6.628m respectively (£70.423m and £7.838m respectively in 2012-13).

During the year, the Council's Cabinet resolved to transfer a pension risk from the Norse Group balance sheet to the County Council's single entity balance sheet in respect of wholly owned Norse companies that provide services primarily to the County Council. The risk transferred was £34m, representing the liabilities transferred less scheme assets transferred. The companies that this relates to are NPS Property Consultants Limited, Norse Transport and Norse Eastern Limited, all of which are wholly owned subsidiaries of Norse Group Limited which itself is wholly owned by the Council. The employees of these companies are part of the Norfolk Pension Fund and the associated liabilities have historically been included in the Council's Group accounts.

Three subsidiaries started trading in 2012-13. Hethel Innovations Ltd (HIL) and Norfolk Energy Futures Ltd (NEFL) are both 100% owned by the Council and the Great Yarmouth Development Company, which is jointly owned with Great Yarmouth Borough Council, is controlled through a 100% holding in Norfolk Regeneration Company Ltd. All have Council member or officer representation on their boards of directors. The Council has provided short term working capital and loans to the subsidiaries at appropriate rates of interest and repayable on terms relating to the nature or the loan and the expected life of underlying assets.

Independence Matters is a Community Interest Company which started trading on 1 November 2013. The Council owns 49% of the shares through an initial contract period of three years. During the five months to March 2014 approximately 99% of the company's turnover was with Norfolk County Council. The total value of payments made to and received from Independence Matters were £5.157m and £0.085m respectively.

40. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement on the CFR is analysed in the second part of this note.

	2012-13	2013-14
	£000s	£000s
Opening Capital Financing Requirement	690,878	676,239
Capital Investment		
Property, plant and equipment	111,706	88,550
Investment properties	4,000	0
Heritage assets	160	0
Intangible assets	0	372
Revenue expenditure funded from capital under statute	19,101	20,880
Loans	550	6,047
Sources of Finance		
Capital receipts	(9,079)	(6,499)
Government grants and other contributions	(87,755)	(81,578)
Sums set aside from revenue:		
Direct revenue contributions	(23,978)	(15,091)
Minimum Revenue Provision	(29,344)	(27,186)
Closing Capital Financing Requirement	676,239	661,734
Explanation of Movements in Year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(20,727)	(19,923)

Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(2,640)	7,966
Assets acquired under Finance Leases	(1,266)	(1,855)
Assets acquired under PFI contracts	750	(638)
Other long term liabilities	9,244	(55)
Increase/(decrease) in Capital Financing Requirement	(14,639)	(14,505)

41. Leases

Council as Lessee:

(i) Finance Leases

The Council has acquired the following assets under finance leases:

- Land and Buildings – The Council has a number of finance leases of land and buildings which are leased at a peppercorn rent.
- Vehicles, Plant and Equipment – The Council has acquired vehicles and equipment for the Fire service, Library service Children's services and ICT. In addition, vehicles and equipment are leased by the Council and then sub-let to NORSE on identical terms.

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

	31 March 2013	**31 March 2014**
	£000s	**£000s**
Land and buildings	8,399	8,743
Vehicles, plant and equipment	9,760	7,713
Heritage Assets	1,220	2,178
County Council Total	**19,379**	**18,634**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2013	**31 March 2014**
	£000s	**£000s**
Finance lease liabilities (net present value of minimum lease payments):		
Current	2,198	2,111
Non current	8,106	6,262
Finance costs payable in future years	1,332	973
Minimum lease payments	**11,636**	**9,346**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£000s	£000s	£000s	£000s
Not later than one year	2,642	2,447	2,217	2,111
Later than one year and not later than five years	6,973	5,435	6,188	4,877
Later than five years	2,021	1,464	1,899	1,385
	11,636	**9,346**	**10,304**	**8,373**

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

(ii) Operating Leases – Council as Lessee

Vehicles, Plant and Equipment:

The Council uses leased vehicles and communication equipment financed under the terms of an operating lease. The Council also operates six Park and Ride sites in and around Norwich. The Council owns all of the sites and the operators provide the buses to operate the service under an arrangement which has been identified as an operating lease.

The amount paid under these arrangements in 2013-14 was £0.701m (£0.756m in 2012-13).

Land and Buildings:

The Council leases a number of properties on short term leases which have been accounted for as operating leases.

The rentals payable in 2013-14 were £1.868m (£1.976m in 2012-13).

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

	31 March 2013	31 March 2014
	£000s	£000s
Not later than one year	1,966	1,737
Later than one year and not later than five years	4,558	3,716
Later than five years	10,729	8,710
Total	**17,253**	**14,163**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.569m (£2.732m in 2012-13).

The Council as Lessor:

Finance leases: Property

The Council has leased out school buildings to Academy schools on 125 year finance lease agreements pursuant to provisions of the Academies Act 2010. The Council has also leased out the Council's interest in the Forum complex to the Forum Trust for 125 years from September 2001. The rentals for all these leases are peppercorn rentals.

With effect from 1 April 2011, the Council transferred its 26 residential care homes to Norse Care Limited (a subsidiary of the Norse Group) on 25 year peppercorn leases each with a terminal freehold transfer option.

The Council also owns a small number of other properties, including heritage assets, which have been leased out on finance leases for peppercorn rents.

Operating leases

The Council leases out property under operating leases for a number of services, including Economic Development and the County Farms estate.

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

	31 March 2013 £000s	31 March 2014 £000s
Leases expiring within 1 year	2,506	2,323
Leases expiring within 2 to 5 years	7,309	6,266
Leases expiring after 5 years	11,891	9,488
	21,706	**18,077**

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

42. PFI and similar contracts

At 31 March 2014, the Council had three PFI contracts with private sector contractors:

Norwich Schools Private Finance Initiative (PFI)

On 20 March 2006, the Council contracted with Academy Services (Norwich) Limited to provide, under the PFI, four new build replacement primary schools, one new build junior school and one extended and refurbished secondary school.

The 5 newly constructed schools were completed by August 2008 and were included in the Council's non current assets total along with the value of the enhancement to Taverham High school. All of the schools have been revalued in line with the accounting policy for land and buildings. Two of the schools, Taverham High and Heartsease Primary, converted to Academy status on 1 April 2013, and the associated non-curent assets have been removed from the Council's balance sheet.

Salt Barns Private Finance Initiative (PFI)

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

The contract is for the provision of 7 salt barns. These have been recognised within the Council's assets and have been revalued in line with the Council's accounting policies.

Street Lighting Private Finance Initiative (PFI)

On 3 November 2007, the Council contracted with Amey Street Lighting (Norfolk) Ltd. The contract began on 4 February 2008, when Amey took over the provision of a street lighting service using the existing equipment. The contract resulted in the renewal of 50% of streetlights, signs and bollards over a 5 year period. The contract requires the contractor to maintain 100% of the lighting points (approximately 60,000) up to a specified standard and to upgrade all those not renewed in the first 5 years to modern lighting standards by year 15 of the contract.

The renewal of the columns took place over a 5 year period, the core improvement programme. The value of the replacement columns is included within the Council's assets as Highways Infrastructure assets at historic cost.

Property, Plant and Equipment

Subject to adjustments for schools which have transferred to academy status, the assets used to provide services in these schemes are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 13.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due to be made under operational PFI and similar contracts

	Reimbursement of capital expenditure	Payment for services	Interest	Total at 31 March 2014	Total at 31 March 2013
	£000s	£000s	£000s	£000s	£000s
Payable in 2014-15	793	6,599	6,160	**13,552**	**14,002**
Payable within 2-5 years	3,517	29,398	23,282	**56,197**	**58,111**
Payable within 6-10 years	8,151	35,843	25,476	**69,470**	**73,575**
Payable within 11-15 years	22,241	32,408	17,983	**72,632**	**73,872**
Payable within 16-20 years	21,872	28,461	5,234	**55,567**	**72,979**
Total	**56,574**	**132,709**	**78,135**	**267,418**	**292,539**

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2013-14	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	28,128	765	28,318	**57,211**
Payments during the year	(4,097)	(377)	(2,415)	**(6,889)**
Finance lease cost	3,489	340	2,423	**6,252**
Balance outstanding at year end	**27,520**	**728**	**28,326**	**56,574**

Comparatives for 2012-13	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	28,706	782	26,972	**56,460**
Payments during the year	(4,139)	(364)	(3,563)	**(8,066)**
Capital expenditure incurred in the year	0	0	2,601	**2,601**
Finance lease cost	3,561	347	2,308	**6,216**
Balance outstanding at year end	**28,128**	**765**	**28,318**	**57,211**

43. Impairment losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in notes 13 and 16 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2013-14 the Council recognised an impairment loss of £0.917m which relates primarily to Downham Market Fire Station, which was damaged in a fire along with associated vehicles and equipment which were based at the site, £6.592m (£23.877m in 2012-13) in relation to capital expenditure incurred which does not result in a change to the value of the assets and £16.617m relating to impairment reversals on revaluations.

44. Pension Schemes accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The scheme provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013-14, the County Council paid £23.234m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012-13 were £25.826m and 14.1%. There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 45.

NHS Pension Scheme

Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that scheme on transfer at 1 April 2013. The NHS scheme is an unfunded, defined benefit scheme, but is accounted for in the NHS as if it were a defined contribution scheme. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013-14, the County Council paid £0.235m to the NHS Pension Scheme in respect of Public Health staff's retirement benefits, representing 14% of pensionable pay. There were no contributions remaining payable at the year end.

45. Defined Benefit Pension Schemes

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make future payments and thus these need to be disclosed as a future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme (the Norfolk Pension Fund) for civilian employees, administered by the County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Fire Pension Scheme for Fire Fighters – this is this is an unfunded defined benefit final salary scheme administered by the Council, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Details of the scheme are shown in the supplementary statement on page 90.

The Norfolk Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of the Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

During the year, the Council's Cabinet resolved to transfer a pension risk from the Norse Group balance sheet to the County Council's single entity balance sheet in respect of wholly owned Norse companies that provide services primarily to the County Council. Further details are shown in Note 39.

Transactions relating to Post-Employment Benefits

The Council recognise the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		**Fire-Fighters Pension Scheme**	
	2012-13	**2013-14**	**2012-13**	**2013-14**
	£000s	**£000s**	**£000s**	**£000s**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	41,331	50,561	4,900	5,600
Past service costs	98	2,616	0	100
(Gain)/loss from settlements	(2,299)	(7,294)	(800)	(1,200)
Financing and Investment Income and Expenditure:				
Net interest expense	15,102	26,429	9,700	10,500
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	54,232	72,312	13,800	15,000
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined pension liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	83,666	48,619	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	(38,409)	0	(5,800)
Actuarial gains and losses arising on changes in financial assumptions	(190,613)	69,743	(24,100)	(9,700)
Other (if applicable)	641	(3,199)	100	(1,500)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(52,074)	149,066	(10,200)	(2,000)
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(54,232)	(72,312)	(13,800)	(15,000)
Actual amount charged against the General Fund balance for pensions for the year:				
Employers contributions payable to the scheme*	46,043	47,212		
Retirement benefits payable to pensioners			7,200	5,200

*(includes contributions in respect of unfunded benefits)

Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2012-13	2013-14	2012-13	2013-14
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(1,801,399)	(1,996,133)	(234,800)	(261,600)
Fair value of plan assets	1,212,681	1,390,731	0	0
Net liability arising from defined benefit obligation	(588,718)	(605,402)	(234,800)	(261,600)

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2012-13	2013-14	2012-13	2013-14
	£000s	£000s	£000s	£000s
Balance at 1 April	1,545,039	1,801,399	204,200	234,800
Current service cost	41,331	50,561	4,900	5,600
Interest cost	73,977	80,729	9,700	10,500
Contributions by scheme participants	13,646	13,352	1,100	1,300
Remeasurement (gains) and losses:				
Actuarial gains and losses arising on changes in demographic assumptions		38,409		5,800
Actuarial gains and losses arising on changes in financial assumptions	190,613	(69,743)	24,000	9,700
Other (if applicable)	(641)	37,368		1,500
Past service costs	98	2,616	0	100
Losses/(gains) on curtailments	(8,860)	(18,092)	(800)	(1,200)
Benefits paid	(53,804)	(59,585)	0	0
Pension and lump sum expenditure	0	0	(8,200)	(6,500)
Transfers out to other authorities	0	0	(100)	0
Closing liability transferred from Norse Group	0	119,119	0	0
Balance at 31 March	**1,801,399**	**1,996,133**	**234,800**	**261,600**

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

	Local Government Pension Scheme	
	2012-13	2013-14
	£000s	£000s

Opening fair value of scheme assets	1,070,816	1,212,681
Interest income	58,875	54,300
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	83,666	48,619
Employer contributions	46,043	47,212
Contributions from employees into the scheme	13,646	13,352
Benefits paid	(53,804)	(59,585)
Other (gain/loss from settlements)	(6,561)	(10,798)
Closing fair value of scheme assets transferred from Norse Group	0	84,950
Balance at 31 March	**1,212,681**	**1,390,731**

Local Government Pension Scheme Assets comprised:

	Period ended 31 March 2013				Period ended 31 March 2014			
Asset Category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£000s	£000s	£000s	%	£000s	£000s	£000s	%
Equity Securities:								
Consumer	73,661	-	73,661	6%	79,331	-	79,331	6%
Manufacturing	58,207	-	58,207	5%	72,756	-	72,756	6%
Energy and Utilities	42,885	-	42,885	4%	40,590	-	40,590	3%
Financial Institutions	75,081	-	75,081	6%	81,332	-	81,332	6%
Health and Care	31,959	-	31,959	3%	37,108	-	37,108	3%
Information Technology	23,081	-	23,081	2%	23,354	-	23,354	2%
Other	58,701	-	58,701	5%	57,980	-	57,980	4%
Debt Securities:								
Corporate Bonds (investment grade)	53,491	-	53,491	4%	52,697	-	52,697	4%
Corporate Bonds (non-investment grade)	988	-	988	0%	1,873	-	1,873	0%
UK Government	-	-	-	0%	-	-	-	0%
Other	3,664	-	3,664	0%	4,608	-	4,608	0%
Private Equity:								
All	-	88,688	88,688	7%	-	89,831	89,831	7%

Real Estate:								
UK Property	-	115,315	115,315	10%	-	130,121	130,121	10%
Overseas Property	-	19,760	19,760	2%	-	19,365	19,365	1%
Investment Funds and Unit Trusts:								
Equities	364,667	-	364,667	29%	377,668	-	377,668	29%
Bonds	177,147	-	177,147	15%	203,115	-	203,115	16%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rates	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	(801)	-	(801)	0%	566	-	566	0%
Cash and Cash equivalents:								
All	-	26,187	26,187	2%	-	33,486	33,486	3%
Totals	**962,731**	**249,950**	**1,212,681**	**100%**	**1,032,978**	**272,803**	**1,305,781**	**100%**

The table above does not include an adjustment for the transfer of the scheme assets from Norse Group Ltd.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the fire fighters scheme and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council fund being based on the most recent actuarial valuation of the scheme.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		**Fire fighters Pension Scheme**	
	2012-13	**2013-14**	**2012-13**	**2013-14**
Mortality assumptions:				
Longevity at 65 (60 for Fire fighters scheme) for current pensioners:				
Men	21.2	22.1	28.1	29.3
Women	23.4	24.3	31.0	31.5
Longevity at 65 (60 for Fire fighters scheme) for future				

pensioners:				
Men	23.6	24.5	29.7	30.9
Women	25.8	26.9	32.5	33.0
Rate of inflation	3.6%	3.6%	3.6%	3.6%
Rate of increase in salaries	5.1%	3.6%	3.8%	3.6%
Rate of increase in pensions	2.8%	2.8%	2.8%	2.8%
Rate for discounting scheme liabilities	4.5%	4.3%	4.5%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Local Government Pension Scheme:

Change in assumptions at 31 March 2014	**Approximate % increase to employer liability**	**Approximate monetary amount**
		£000s
0.5% increase in real discount rate	9%	173,310
1 year increase in member life expectancy	3%	56,310
0.5% increase in the salary increase rate	3%	49,765
0.5% increase in the pension increase rate	7%	122,120

Fire Fighters Pension Scheme

Change in assumptions at 31 March 2014	**Approximate % increase to employer liability**	**Approximate monetary amount**
		£000s
0.1% increase in real discount rate	2%	5,000
1 year increase in member life expectancy	3%	7,900
0.5% increase in the salary increase rate	2%	4,400
0.5% increase in the pension increase rate	8%	21,100

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £41.297m expected contributions to the scheme in 2014-15.

The weighted average duration of the defined benefit obligation for scheme members is 18.1 years.

46. Contingent Liabilities

Financial Guarantees

The Council applies for funding from a number of different sources. In some cases the funding agreement includes a clause requiring the Council to provide a financial guarantee in order to secure the funding. The guarantees given are not specific and generally relate to agreements to provide revenue and/or capital support for the service for which the funding is given for a specific period.

The Council has given several financial guarantees for project funding, e.g. a restoration and development project at Norwich Castle secured funding in return for guarantees that it would maintain staff levels, opening times and a joint programme with East Anglian Film Archive for 25 years after the completion of the project.

Guarantees given prior to 1 April 2006 and not previously recognised on the Balance Sheet do not need to be recognised as financial instruments but can continue to be accounted for as a contingent liability. Regulations made by Government under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, further state that any guarantees entered into before 8 November 2007 can be accounted for under the previous SORP and can also continue to be accounted for as a contingent liability.

Great Yarmouth Port Company Pension Guarantee

On 25 May 2007, the employees of Great Yarmouth Port Authority, who had transferred into the employment of the new Great Yarmouth Port Company (GYPC), were admitted into the Norfolk Pension Scheme. Norfolk County Council is underwriting any potential liability for these employees to the Pension Scheme. GYPC was required to provide land to the County Council as collateral to cover the liability, the value of which is reviewed annually. At the time of the 2013-14 valuation (June 2014), the value of the collateral was just under 194% of the potential liability. The 2014-15 valuation is ongoing. In the event that the guarantee is called upon, the Council would expect the value of the collateral to meet any obligation that may arise to the Fund.

47. Nature and Extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- credit risk — the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk — the possibility that the Council might not have funds available to meet its commitments to make payments;
- re-financing risk — the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- market risk — the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

(i) by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

(ii) by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution

(iii) by approving annually in advance prudential and treasury indicators for the following three years limiting:

- The Council's overall borrowing
- The Council's maximum and minimum exposures to fixed and variable rates
- The Council's maximum and minimum exposures to the maturity structure of its debt
- The Council's maximum annual exposure to investments maturing beyond a year.

(iv) by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported within the annual investment and treasury strategy and prudential indicator reports which outline the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 14 February 2013 and is available on the Council website. The key issues within the strategy were:

(i) The Authorised Limit for 2013-14 was set at £755.157m. This is the maximum limit of external borrowings or other long term liabilities.

(ii) The Operational Boundary was expected to be £694.337m. This is the expected level of debt and other long term liabilities during the year.

(iii) The maximum amounts of fixed and variable interest rate exposure were set at 0% and 30% respectively based on the Council's net debt.

(iv) The maximum and minimum exposure to the maturity structure of debt is shown below.

	Approved Maximum Limit	Approved Minimum Limit
Under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	45%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%

These policies are implemented by a central treasury team. The Council maintains 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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

(a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services.

The Council does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings

The Annual Investment and Treasury Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria detailed in the Annual Investment Strategy.

The full Investment Strategy for 2013-14 was approved by full Council on 14 February 2013 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

In October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks went into administration. The Council had £32.5m invested in this sector at that time.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

Details of the amounts recovered and the impairment on these investments is shown in note 7 on page 36.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council does not generally allow credit for customers, such that £45.227m of the £116.955m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2013	31 March 2014
	£000s	**£000s**
Less than three months	18,488	27,091
Three to six months	4,082	5,247
Six months to one year	1,585	4,161
More than one year	3,989	8,728
	28,144	**45,227**

The Council initiates a legal charge on property where, for instance, clients require the assistance of Social Services but cannot afford to pay immediately. The total collateral at 31 March 2014 was £2.968m.

(b) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the annual investment and treasury strategy reports), as well as through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2013 £000s	31 March 2014 £000s
Less than one year	154,004	152,888
Between one and two years	1,104	282
Between two and three years	1,305	0
More than three years	3,912	0
	160,325	**153,170**

All trade and other payables are due to be paid in less than one year.

(c) Refinancing Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved investment and treasury strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved maximum limits	**Approved minimum limits**	**31 March 2013 £000s**	**31 March 2014 £000s**
Less than one year	15%	0%	15,372	15,533
Between one and two years	15%	0%	9,109	6,500
Between two and five years	45%	0%	20,026	19,507
Between five and ten years	75%	0%	32,843	42,050
More than ten years	100%	0%	445,706	428,554
			523,056	**512,144**

The analysis does not include totals for creditors as detailed in note 22.

(d) Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government Grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

	£000s
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	960
Impact on surplus or deficit on the Provision of Services	960
Decrease in fair value of fixed rate investment assets	N/A
Impact on Other Comprehensive Income and Expenditure	0
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)	74,422

The approximate impact of a fall in interest rates would be limited to £0.625m. These assumptions are based on the same methodology as used in the note – Fair value of assets and liabilities carried at amortised cost.

(e) Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council does have shares in four wholly owned companies (including the Norse Group), Norwich Airport Ltd and in a local authority purchasing consortium operated by a joint committee. These holdings are illiquid and the Council is not exposed to movements in the price of the shares as these are not being traded, but would be subject to any change in fair value upon disposal.

(f) Foreign Exchange Risk

The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir/Landisbanki. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

48. Foundation Schools

The Schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the local authority. The change for funding purposes took effect from 1 April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation Schools in this consolidated balance sheet.

Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation Schools, which are not required to be consolidated in this balance sheet. During 2013-14, 22 schools moved to Trust status giving a total in this authority area of 40 Foundation Schools (21 in 2012-13).

49. Funds Administered for Third Parties

The Council has an arrangement to administer and invest funds on behalf of the Office of the Police and Crime Commissioner for Norfolk (PCC), Norfolk and Suffolk Probation Trust, Norfolk Pension Fund, NPS Property Consultants Ltd, Norse Commercial Services Ltd and Norse Care Ltd. Details of the amounts invested for each of these bodies as at the end of the financial year are shown in the table below. These funds, in accordance with the Code, have been excluded from the County Council's balance sheet.

	31 March 2013 £000s	31 March 2014 £000s
Office of the Police and Crime Commissioner for Norfolk	26,484	32,110
Norfolk and Suffolk Probation Trust	674	899
Norfolk Pension Fund	4,254	1,578
NPS Property Consultants Ltd	1	1
Norse Care Ltd	4,610	2,587
Norse Commercial Services Ltd	1,561	702
Independence Matters	-	646
	37,584	**38,523**

50. Trust Funds

The Council acts as sole or custodian trustee for nine trust funds and as one of several trustees for a further seven trust funds and also manages a number of bequests. None of these funds represent assets of the Council, and they have not been included in the Balance Sheet.

One of these trust funds has asset values over £10,000 and this is separately detailed in the table below. All of the other funds have been combined as a single lines in the table.

	Balance at 31 March 2013 Restated	Income	Expenditure	Transferred	Balance at 31 March 2014

	£000s	£000s	£000s	£000s	£000s
Funds for which Norfolk County Council acts as sole trustee					
Mrs D.E. Cole Deceased Trust	33	1	0	0	34
To provide financial assistance for welfare purposes					
Other Funds (sole trustee)	84	2	0	(61)	25
Other Funds for which Norfolk County Council is one of several trustees					
Other small bequests	16	0	(3)	(9)	4
Other funds (joint trustees)	144	0	(25)	(109)	10

During the year the administration of six trust funds was transferred to the Norfolk Community Foundation, which is an independent grant making charity serving Norfolk.

Norfolk Fire Fighters Pension Fund Accounts

This section summarises the accounts of the Fire Fighters' Pension Fund for the year ending 31 March 2014. The accounts of the Fire Fighters Pension Fund have been prepared in accordance with the accounting policies as detailed in the Statement of Accounting Policies on page 22, except for transfer values, which have been included in the statement on a cash basis.

Fire Fighters Pension Fund Account for the year ended 31 March 2014

2012-13 £000s			2013-14 £000s
	Contributions receivable		
	County Council		
(2,013)	- Contributions in relation to pensionable pay	(1,968)	
(62)	- Early retirements	(81)	
(1,188)	Fire fighters' contributions	(1,314)	
(3,263)			(3,363)
(36)	Transfers in from other authorities		(33)
	Benefits payable		
5,757	Pensions	5,972	
1,941	Commutations and lump sums	695	
77	Lump sum death benefits	0	
7,775			6,667
	Payments to and on account of leavers		
87	Transfers out to other authorities	176	
0	Refunds of contributions	0	
			176
4,563	Net amount payable for the year		3,447
(4,563)	Top up grant payable by Government		(3,447)
0			0

Fire Fighters Pension Fund Net Assets Statement

31 March 2013 £000s		31 March 2014 £000s
1,597	Top up receivable from Government	424
(1,597)	Amount owing to General Fund	(424)
0		0

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Notes to the Fire Fighters Pension Fund Accounts

1. Summary of Arrangements

The new Fire Fighters Pension Scheme was introduced on 1 April 2006.

Until April 2006 the Council was responsible for paying the pensions of fire officers who retired from the Fire Service on a ‘pay as you go’ basis. Pension arrangements for officers already employed by the service continue under the old scheme, unless they elect to transfer to the new scheme.

Under the new arrangements the Council was required to set up two Fire Fighters pensions accounts. Contributions from the Council (employer) and officers are paid into the new accounts. The employer contribution rate has been set at 21.3% of Fire Officers pensionable pay for the old scheme and 11% of Fire Officers pensionable pay for the new scheme. Pension payments are made from the new accounts, except for injury awards which are funded by the Council.

2. Grant Arrangements

The Norfolk Fire Fighters Pension Scheme is an unfunded, defined benefit scheme which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Information on the Councils’ long term pension obligations can be found in Note 45 to the main accounts.

The account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government. The underlying principle is that employer and officer contributions together will meet the full costs of pension liabilities being accrued by serving officers while Central Government provides for the costs of pensions paid to retired officers and their dependants. Should there be a surplus in the account this is repaid to Government.

3. Pension Administration

The Council retains the responsibility for, and continues to administer and pay, fire officer pensions in accordance with the Fire Pension Regulations 1992 (old pension scheme) and 2006 (new pension scheme). The new arrangements have no impact on the benefit structure of the Norfolk Fire Fighters Pension schemes.

Group Accounts

Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council is involved with a number of companies and organisations whose assets and liabilities are not included in the Council's single entity statements. In these cases the Council's interest does not extend to a relationship that could be classified as a subsidiary, associate or joint venture. None of these companies are included in the group accounts.

The Council does have interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. Only one of these, Norse Group Ltd is considered to be material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Norse Group Ltd and Independence Matters CIC.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Norse Group Ltd	Subsidiary	Consolidated
Independence Matters CIC	Subsidiary	Consolidated
Norfolk Energy Futures Ltd	Subsidiary	Not material
Hethel Innovation Ltd	Subsidiary	Not material
Norfolk Regeneration Company Limited	Subsidiary	Not material
Norwich Airport Legislator companies	No group relationship	Not consolidated

Subsidiaries

Norse Group Ltd

The company was formed on 1 February 2006 and its principal activity is that of a holding company. It is a wholly owned subsidiary of the County Council and is included in the Group Accounts.

Norse Group Ltd comprises Facilities and Waste Management provider Norse Commercial Services Limited (NCS), NPS Property Consultants Limited (NPS) and Norse Care Limited (NCL).

In March 2001, the Council provided a loan of £2.440m, which is being repaid in equal instalments over 23 years by Norse Commercial Services Ltd.

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 25 residential homes and 14 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 company's accounting period for 2013-14 is from 1 February 2013 to 31 January 2014. The final accounts of the company for the year ended 31 January 2014 are still subject to audit. Copies of the accounts may be obtained from Companies House or by request to the County Council.

The results for the Norse Group Ltd to the end of January are shown in the table below.

	2012-13	2013-14
	£000s	£000s
Net Assets for the accounting period	(1,837)	22,254
Turnover	231,530	247,972
Profit/(Loss) for the accounting period (before Tax)	5,588	6,488
Profit/(Loss) for the accounting period (after Tax)	4,204	4,942

Independence Matters CIC

Independence Matters CIC is the first 'spin out' social enterprise to be launched by Norfolk County Council. The Company started trading on 1 November 2013 with over 600 staff transferring from Norfolk County Council's Personal and Community Support Services.
The main activities of the company are the provision of the following services under contract with Norfolk County Council:

- Day services at community hubs (formerly day centres) – providing a range of activities, opportunities for learning, information and guidance
- Personal Assistants Services – personal support to individuals whether living at home or in tenanted/residential accommodation
- Supported Living - for people in their own homes, from regular drop in visits to full time support, plus additional support in times of crisis

- Respite Care – personalised short break respite care at specially designed premises in three convenient locations across the county
- Norfolk Industries – a stand-alone enterprise manufactures pet bedding with a workforce of employees with disabilities, selling to the British market and overseas
- Stepping Out - providing support for people with mental health problems to enable them to regain independence.

Independence Matters is a Community Interest Company limited by shares. The company's staff own 51% of the shares and Norfolk County Council will own 49% of the shares through the initial contract period of three years, during which time any surpluses will be principally reinvested for its social objectives. The Staff shares are held through an Employee Benefit Trust and are not available for sale.
Norfolk County Council has a contract and service specification with the company for at least three years with an option to extend for a further two years. During the five months to March 2014, approximately 99% of the company's turnover was with Norfolk County Council.

<u>Norfolk Energy Futures Ltd (NEFL)</u>

NEFL is 100% owned by the County Council and has been created to realise and maximise revenue and income from investment in renewable energy and energy conservation projects. The business will accomplish this by investing in the installing, maintaining, and repairing renewable energy generation systems, energy conservation schemes and resource recycling projects. Since starting to trade in 2012-13, the company has completed the installation of 19 x 5Kw wind turbines on 11 farms owned by Norfolk County Council.

<u>Hethel Innovation Limited (HIL)</u>

HIL is 100% owned by the County Council. The company has been set up as a special purpose vehicle to build 'grow on' space for businesses in an Advanced Manufacturing Centre, using EU funding. HIL started trading in 2012-13 during which the company acquired and started preparatory work on its development site adjacent to the Hethel Engineering Centre, and started a 3 year EU Funded innovation and enterprise programme to support the growth of designated business sectors in the Eastern Region. In March 2014, the company completed construction of its 40,000 sq ft Advanced Manufacturing Centre at a cost of £5.9m. The facility was officially opened in April 2014 and adds 16 new offices and workshop spaces to the Hethel Engineering site, with tenants moving to the Centre in during 2014.

<u>Norfolk Regeneration Company Limited (NRC) and Great Yarmouth Development Company Limited (GYDC)</u>

NRC is 100% owned by the County Council. The purpose of the company is to promote economic development on behalf of the local authorities of Norfolk, with an initial focus on physical regeneration and development. The company's structure provides a mechanism for joint venture activity. GYDC (prior to 24 May 2012 known as Norfolk Regeneration Company Limited) is jointly owned with Great Yarmouth Borough Council. During 2013/14, GYDC completed the construction of 19 homes for sale in Great Yarmouth.

Relationships with Other Entities

<u>Norwich Airport Legislator companies</u>

In March 2004, the County Council and Norwich City Council sold 80.1% of the shares held in Norwich Airport Ltd to Omniport Limited. The remaining shares are held by the County Council (9%), Norwich City Council (6%) and a jointly owned local authority company, Legislator 1656 (4.9%). A second jointly owned local authority company, Legislator 1657 (a wholly owned subsidiary of Legislator 1656), holds some land associated with the airport which was excluded from the sale to Omniport. The County Council holds 60% of Legislator 1656 with the City Council holding the remaining 40%, effectively giving the County Council a further holding of 3% in the Airport Company. This is in addition to the Council's direct share holding in the airport (9%). The sale valued Norwich Airport at £13.7m and the investment value included in the Balance Sheet represents the Council's 9% direct holding in the company. Further details are included in the note on Financial Instruments on page 53.

The accounts for 2013-14 are not yet available. Copies of the accounts will be available from Companies House or by request to the County Council.

	Legislator 1656		Legislator 1657	
	2012-13	**2013-14**	**2012-13**	**2013-14**
	£000s	**£000s**	**£000s**	**£000s**
Net Assets for the accounting period	3,311		(2,620)	
Profit/(Loss) for the accounting period (before Tax)	(2,587)		(1,600)	
Profit/(Loss) for the accounting period (after Tax)	(2,593)		(1,604)	

Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the Code.

Where subsidiary undertakings have a different accounting year end to the Council's, the subsidiary has prepared additional financial statements as at 31 March.

Group Movement in Reserves Statement

The Code requires that the Group Movement in Reserves statement excludes movements on reserves attributable to minority interests. The Council's subsidiary Norse Group Ltd includes minority interests within their accounts. This means that totals in the Group Movement in Reserves statement do not reconcile to the Group Comprehensive Income and Expenditure Statement or the total reserves shown in the Group Balance Sheet. The table on page 97 shows the Group movements including an analysis of minority interests.

	Council's Usable Reserves Restated	Subsidiary Usable Reserves Restated	Total Group Usable Reserves Restated	Council's Unusable Reserves	Subsidiary Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves Restated
	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**
Balance at 31 March 2012	**206,527**	**(34,011)**	**172,516**	**271,481**	**17,055**	**288,536**	**461,052**
Movement in Reserves during 2012-13							
Group Surplus / (Deficit)	62,587	(58,700)	3,887	0	0	0	3,887
Other Comprehensive Expenditure and Income		(20,468)	(20,468)	(102,308)	0	(102,308)	(122,776)
Total Comprehensive Expenditure and Income	**62,587**	**(79,168)**	**(16,581)**	**(102,308)**	**0**	**(102,308)**	**(118,889)**
Adjustments between Group Accounts and Council Accounts*	(65,800)	65,800	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	34,122	173	34,295	(34,122)	(173)	(34,295)	0
Increase / (Decrease) in Year	**30,909**	**(13,195)**	**17,714**	**(136,430)**	**(173)**	**(136,603)**	**(118,889)**
Balance at 31 March 2013	**237,436**	**(47,206)**	**190,230**	**135,051**	**16,882**	**151,933**	**342,163**
Movement in Reserves during 2013-14							
Group Surplus / (Deficit)	(24,736)	(82,472)	(107,208)	0	0	0	(107,208)
Other Comprehensive Expenditure and Income		55,153	55,153	45,690	0	45,690	100,843
Total Comprehensive Expenditure and Income	**(24,736)**	**(27,319)**	**(52,055)**	**45,690**	**0**	**45,690**	**(6,365)**
Adjustments between Group Accounts and Council Accounts*	(75,785)	75,785	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	101,678	0	101,678	(101,678)	0	(101,678)	0
Increase / (Decrease) in Year	**1,157**	**48,466**	**49,623**	**(55,988)**	**0**	**(55,988)**	**(6,365)**
Balance at 31 March 2014	**238,593**	**1,260**	**239,853**	**79,063**	**16,882**	**95,945**	**335,798**

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

Summary of Group Movements in the Movement in Reserves Statement

	Total from Movement in Reserves Statement	Minority Interest share of subsidiary reserves	Total Group Reserves
	£000s	£000s	£000s
Balance at 31 March 2012 (restated)	**461,052**	**(651)**	**460,401**
Group Surplus/(Deficit)	3,887	178	4,065
Other Comprehensive Expenditure and Income	(122,776)	(1,395)	(124,171)
Adjustments between accounting basis and funding basis under regulations	0	0	0
Balance at 31 March 2013	**342,163**	**(1,868)**	**340,295**
Group Surplus/(Deficit)	(107,208)	599	(106,609)
Other Comprehensive Expenditure and Income	100,843	(209)	100,634
Adjustments between accounting basis and funding basis under regulations	0	0	0
Balance at 31 March 2014	**335,798**	**(1,478)**	**334,320**

Group Comprehensive Income and Expenditure Statement

	2012-13 Gross Expenditure	2012-13 Income	2012-13 Net Expenditure	2013-14 Gross Expenditure	2013-14 Income	2013-14 Net Expenditure
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Adult Social Care	373,538	92,011	281,527	383,777	100,031	283,746
Central Services to the Public	5,734	3,813	1,921	26,285	16,198	10,087
Children's and Education Services	729,383	532,148	197,235	633,772	509,793	123,979
Cultural and Related Services	35,135	13,288	21,847	92,725	74,707	18,018
Environmental and Regulatory Services	88,037	37,279	50,758	48,133	2,617	45,516
Fire and Rescue Services	32,529	2,163	30,366	34,741	2,133	32,608
Highways and Transport Services	96,180	13,773	82,407	101,528	15,969	85,559
Planning Services	13,507	4,804	8,703	10,989	2,278	8,711
Other Services	62,537	63,460	(923)	50,805	53,711	(2,906)
Corporate and Democratic Core	9,378	6,515	2,863	3,902	218	3,684
Non Distributed Costs	(542)	2,895	(3,437)	(2,967)	2,644	(5,611)
Other Operating Income	0	516	(516)	0	2,001	(2,001)
Cost of Services	**1,445,416**	**772,665**	**672,751**	**1,383,690**	**782,300**	**601,390**
Acquired Services:						
Public Health	-	-	-	27,834	30,721	(2,887)
Total for Acquired Services	**-**	**-**	**-**	**27,834**	**30,721**	**(2,887)**
Cost of Services	**1,445,416**	**772,665**	**672,751**	**1,411,524**	**813,021**	**598,503**
Other Operating Expenditure			71,082			177,212
Financing and Investment Income and Expenditure (Note 2)			54,660			81,038
Taxation and Non-Specific Grant Income			(799,602)			(752,191)
(Surplus) / Deficit on Provision of Services			**(1,109)**			**104,562**
Share of surplus or deficit of associates			(109)			(84)
Tax Expenses (note 3)			(2,847)			2,131
Group (Surplus) / Deficit			**(4,065)**			**106,609**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(27,998)			(54,274)
Actuarial (Gains) / Losses on Pension Assets / Liabilities			152,169			(46,360)
Other Comprehensive Income and Expenditure			**124,171**			**(100,634)**
Total Comprehensive Income and Expenditure			**120,106**			**5,975**

Group Balance Sheet

	Group Note	31 March 2013 restated £000s	31 March 2014 £000s
Property, Plant & Equipment	4	1,636,748	1,613,644
Heritage Assets		5,883	6,116
Investment Property		29,779	29,705
Intangible Assets	5	7,237	6,438
Long Term Investments		7,558	1,849
Investments in Associates and Joint Ventures		302	377
Long Term Debtors	7	6,444	11,115
Deferred Tax Asset		20,053	7,011
Long Term Assets		**1,714,004**	**1,676,255**
Short Term Investments		149,004	148,534
Inventories	6	3,849	1,814
Short Term Debtors	7	107,157	157,713
Cash and Cash Equivalents	8	79,817	59,838
Assets Held for Sale		1,915	0
Current Assets		**341,742**	**367,899**
Bank overdraft	8	(2,202)	(2,611)
Short Term Borrowing		(15,520)	(23,049)
Other Short Term Liabilities		(3,682)	(3,208)
Short Term Creditors	9	(159,837)	(163,116)
Provisions		(8,104)	(7,519)
Current tax liability		(838)	(49)
Current Liabilities		**(190,183)**	**(199,552)**
Long Term Creditors	9	(836)	0
Provisions		(21,300)	(24,507)
Long Term Borrowing		(510,059)	(498,918)
Other Long Term Liabilities		(974,270)	(965,268)
Capital Grants Receipts in Advance		(18,802)	(21,589)
Long Term Liabilities		**(1,525,267)**	**(1,510,282)**
Net Assets		**340,296**	**334,320**
Usable Reserves	11	190,230	239,853
Unusable Reserves	11	150,066	94,467
Total Reserves		**340,296**	**334,320**

Group Cash Flow Statement

	31 March 2013 £000s	31 March 2014 £000s
Net (surplus) or deficit on the provision of services	**(1,109)**	**104,562**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(157,407)	(198,653)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	112,565	86,250
Net cash flows from Operating Activities (Note 13)	(45,951)	(7,841)
Investing Activities (note 13)	71,303	12,824
Financing Activities (note 13)	20,702	15,405
Net (increase) or decrease in cash and cash equivalents	**46,054**	**20,388**
Cash and cash equivalents at the start of the year	**123,669**	**77,615**
Cash and cash equivalents at the end of the year (note 8)	**77,615**	**57,227**

Notes to the Group Accounts

1. Accounting Policies

1.1 General Principles

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Accounts.

1.2 Business combinations

Business combinations occurring on or after 1 February 2009 are accounted for using the acquisition method under the revised IFRS 3 Business Combinations (IFRS 3R). The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

1.3 Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is calculated, without discounting, based on the laws enacted or substantially enacted by the reporting date and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

1.4 Goodwill

Goodwill arises from the acquisition of a controlling interest in various companies within the group accounts. It represents the excess cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed annually for impairment and any impairment is recognised in the Comprehensive Income and Expenditure Statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

2. Group Comprehensive Income and Expenditure Statement

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:

	2012-13 £000s	2013-14 £000s
Interest payable and similar charges	462	263
Pensions Interest cost and expected return on pensions assets	1,231	13,936
Interest receivable and similar income	(86)	(143)
Total for Norse Group Ltd and Independence Matters	**1,607**	**14,056**

3. Tax Expenses of Group Entities

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

	2012-13 £000s	2013-14 £000s
Tax in respect of the current year	969	1,572
Deferred tax in respect of the current year (retirement benefit obligations)	(3,776)	1,427
Deferred tax on actuarial loss for the year	(122)	(868)
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	82	0
Total Taxation Expenses	**(2,847)**	**2,131**

4. Property, Plant and Equipment

Movements in 2013-14 on Group assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
Cost or Valuation								
At 1 April 2013	1,041,785	102,330	746,749	1	65,967	17,697	1,974,529	**77,119**
Adjustment to remove ESPO balances	(2,170)	(757)	0	0	0	0	(2,927)	0
Additions	14,992	10,255	39,863	0	33,614	0	98,724	0
Donations	110	0	0	0	0	2,988	3,098	0
Revaluation increases/(decreases):								
- to Revaluation reserve	34,491	0	0	0	0	452	34,943	1,053
- to surplus or deficit on provision of services	17,771	0	0	0	0	(3,749)	14,022	2,709
Derecognition - disposals	(177,962)	(21,257)	0	0	(180)	(642)	(200,041)	(30,047)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(3,113)	(3,113)	0
Reclassifications and transfers	(7,011)	0	0	0	0	8,612	1,601	(632)
At 31 March 2014	922,006	90,571	786,612	1	99,401	22,245	1,920,836	50,202
Accumulated Depreciation and Impairment								
At 1 April 2013	97,899	61,511	168,855	0	0	9,516	337,781	3,985
Adjustment to remove ESPO balances	0	(548)	0	0	0	0	(548)	0
Depreciation charge	25,637	11,816	20,888	0	0	264	58,605	1,093
Depreciation written out to Revaluation reserve	(13,176)	0	0	0	0	(28)	(13,204)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(37,546)	0	0	0	0	(76)	(37,622)	(1,614)
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	(3,645)	0	0	0	0	0	(3,645)	0
- the surplus or deficit on provision of services	(9,459)	256	0	0	0	94	(9,109)	(192)
Derecognition - disposals	(5,873)	(18,966)	0	0	0	0	(24,839)	(202)
Reclassifications and transfers	(255)	0	0	0	0	28	(227)	(632)
At 31 March 2014	53,582	54,069	189,743	0	0	9,798	307,192	2,438
Net Book Value:								
At 31 March 2014	**868,424**	**36,502**	**596,869**	**1**	**99,401**	**12,447**	**1,613,644**	**47,764**
At 31 March 2013	943,886	40,819	577,894	1	65,967	8,181	1,636,748	73,134

Movements in 2012-13 on Group assets:

Cost or Valuation	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	[illegible] in Property, Plant and Equipment £000s
At 1 April 2012	1,068,532	105,356	699,332	1	45,585	14,652	1,933,458	70,580
Additions	22,980	9,226	48,011	0	21,341	9,244	110,802	2,601
Revaluation increases/(decreases):								
- to Revaluation reserve	21,767	0	0	0	0	(826)	20,941	1,606
- to surplus or deficit on provision of services	842	0	0	0	0	(2,368)	(1,526)	2,332
Derecognition - disposals	(68,420)	(11,918)	0	0	(959)	0	(81,297)	0
Derecognition – other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(3,611)	(3,611)	0
Reclassifications and transfers	(3,916)	(334)	(594)	0	0	606	(4,238)	0
At 31 March 2013	1,041,785	102,330	746,749	1	65,967	17,697	1,974,529	77,119
Accumulated Depreciation and Impairment								
At 1 April 2012	84,519	56,439	148,726	0	0	302	289,986	2,448
Depreciation charge	25,561	14,567	20,072	0	0	258	60,458	1,537
Depreciation written out to Revaluation reserve	(4,477)	0	0	0	0	(112)	(4,589)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(6,432)	0	0	0	0	(178)	(6,610)	0
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	(3,254)	0	0	0	0	0	(3,254)	0
- the surplus or deficit on provision of services	6,255	0	0	0	0	9,244	15,499	0
Derecognition - disposals	(1,031)	(9,161)	0	0	0	0	(10,192)	0
Derecognition – other	0	0	0	0	0	0	0	0
Reclassifications and transfers	(3,242)	(334)	57	0	0	2	(3,517)	0
At 31 March 2013	97,899	61,511	168,855	0	0	9,516	337,781	3,985
Net Book Value:								
At 31 March 2013	**943,886**	**40,819**	**577,894**	**1**	**65,967**	**8,181**	**1,636,748**	**73,134**
At 31 March 2012	984,013	48,917	550,606	1	45,585	14,350	1,643,472	68,132

Capital Commitments

The Norse Group Ltd have the following significant capital commitments:

£5.4m in respect of the construction of new care homes

£9.0m in respect of the Costessey re-cycling plant.

Details of the Council's capital commitments are shown in Note 13 to the Single Entity accounts.

5. Intangible Assets

The movement on the Group balances during the year:

	2012-13			2013-14		
	Other Intangible Assets	**Goodwill**	**Total**	**Other Intangible Assets**	**Goodwill**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at the start of the year:						
- Gross carrying amounts	41,195	4,783	**45,978**	40,330	4,862	**45,192**
- Accumulated amortisation	(35,368)	(386)	**(35,754)**	(37,569)	(386)	**(37,955)**
Net carrying amount at the start of the year	5,827	4,397	**10,224**	2,761	4,476	**7,237**
Adjustment to remove ESPO balances	**0**	**0**	**0**	(44)	**0**	**(44)**
Additions (purchases)	480	79	**559**	754	0	**754**
Disposals	(61)	0	**(61)**	(57)	0	**(57)**
Amortisation for the period	(3,485)	0	**(3,485)**	(1,452)	0	**(1,452)**
Net carrying amount at the end of the year	2,761	4,476	**7,237**	1,962	4,476	**6,438**
Comprising:						
- Gross carrying amounts	40,330	4,862	**45,192**	40,713	4,862	**45,575**
- Accumulated amortisation	(37,569)	(386)	**(37,955)**	(38,751)	(386)	**(39,137)**
	2,761	4,476	**7,237**	1,962	4,476	**6,438**

The goodwill in the Group Balance Sheet relates to the acquisition of companies by the Norse Group Ltd. Other intangible assets include computer software and other intangible assets in the Norse Group Ltd accounts, which are being written off over a period of 3 to 10 years.

6. Inventories

Consumable Stores	**2012-13**	**2013-14**
	£000s	**£000s**
Balance outstanding at start of year	4,216	3,849
Adjustment to remove ESPO balance	0	(985)
Purchases	34,544	27,430
Recognised as an expense in year	(34,144)	(28,380)
Written off balances	(767)	(100)

Balance outstanding at year end	**3,849**	1,814

7. Debtors

	Long Term Debtors		Short Term Debtors	
	31 March 2013 £000s	**31 March 2014 £000s**	**31 March 2013 £000s**	**31 March 2014 £000s**
Central Government bodies	0	0	7,253	24,544
Other local authorities	939	0	21,649	29,876
NHS bodies	0	780	7,716	12,851
Public Corporations and Trading Funds	0	0	1	0
Residential care debt secured by legal charge	4,772	5,829	2,107	1,697
Employee car loans	165	211	0	141
Prepayments	0	0	21,682	27,846
Other entities and individuals	568	4295	48,216	62,052
Bad debt provision	0	0	(1,467)	(1,294)
Group Total	**6,444**	**11,115**	**107,157**	**157,713**

8. Cash and Cash Equivalents

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

	31 March 2013 £000s	**31 March 2014 £000s**
Single Entity Cash and Bank balances	5,117	(4,545)
Subsidiary cash and bank balances	9,671	10,341
Short term deposits with the Money Market	65,029	54,042
Total Group Cash and Cash Equivalents	**79,817**	**59,838**
Norse Group Ltd bank overdraft	(2,202)	(2,611)
Net Group Cash Total	**77,615**	**57,227**

9. Creditors

The table provides details of creditors included in current liabilities on the balance sheet.

	Long Term Creditors		Short Term Creditors	
	31 March 2013 £000s	**31 March 2014 £000s**	**31 March 2013 £000s**	**31 March 2014 £000s**
Central Government bodies	0	0	22,451	16,069
Other local authorities	0	0	8,927	12,995
NHS bodies	0	0	6,745	6,502
Public Corporations and Trading Funds	0	0	33	23
Receipts in advance	0	0	1,742	2,991
Other entities and individuals	836	0	119,939	124,536
Group Total	**836**	**0**	**159,837**	**163,116**

10. Defined Benefit Pension Schemes

Norse Group Ltd is a participating employer in a number of multi-employer Local Government Pension Schemes, the main one being the Norfolk Pension Fund. The transactions for the company 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 liability for the company is reflected in their usable reserves (retained earnings) via the Group Movement in Reserves Statement.

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:

	2012-13	2013-14
	£000s	£000s
Group Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	49,132	58,669
Past service costs/(gain)	353	3,016
(Gain)/loss from settlements	(2,076)	(7,270)
Financing and Investment Income and Expenditure:		
Net interest expense	16,333	40,365
Total post employment benefit charged to the Surplus of Deficit on the Provision of Services	63,742	94,780
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined pension liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	100,440	59,124
Actuarial gains and losses arising on changes in demographic assumptions	0	(20,794)
Actuarial gains and losses arising on changes in financial assumptions	(190,613)	69,743
Other (if applicable)	(37,996)	(41,084)
Total post employment benefit charged to the Group Comprehensive Income and Expenditure Statement	(64,427)	
Movement in Reserves Statement:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(63,742)	(94,780)
Actual amount charged against Usable reserves for pensions for the year:		
Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	53,998	54,833

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:

	2012-13	2013-14
	£000s	£000s
Present value of the defined benefit obligation	(2,129,851)	(2,188,337)

Fair value of plan assets	1,455,204	1,548,181
Net liability arising from defined benefit obligation	(674,647)	(640,156)

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

	2012-13	2013-14
	£000s	£000s
Balance at 1 April	1,817,166	2,129,861
Current service cost	49,132	58,669
Interest cost	87,124	94,665
Contributions by scheme participants	16,238	15,667
Remeasurement gains and losses:		
Actuarial gains and losses arising on changes in demographic assumptions	37,996	21,323
Actuarial gains and losses arising on changes in financial assumptions	190,613	(69,743)
Other (if applicable)	0	37,358
Past service costs/(gain)	353	3,016
Losses /(gains) on curtailments	(8,637)	(18,068)
Benefits paid	(60,124)	(67,922)
Entity combinations	0	(16,489)
Balance at 31 March	**2,129,861**	**2,188,337**

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

	2012-13	2013-14
	£000s	£000s
Opening fair value of scheme assets	1,280,422	1,455,204
Adjustment to opening balance	0	17
Interest income	70,791	54,300
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	100,440	59,124
Other	0	529
Employer contributions	53,998	54,833
Contributions by scheme participants	16,238	15,667
Benefits paid	(60,124)	(67,922)
Other (gain/loss from settlements)	(6,561)	(10,798)
Entity combinations	0	(12,773)
Balance at 31 March	**1,455,204**	**1,548,181**

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 45.

11. Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 96. The reserves of the subsidiaries include:

	Usable Reserves	Unusable Reserves		
	Retained Earnings Restated	Capital Contribution Reserve	Revaluation Reserve	Total Unusable Reserves
	£000s	£000s	£000s	£000s
Balance at 1 April	(47,206)	16,200	682	16,882
Profit for the year	5,454	0	0	0
Actuarial loss in respect of defined benefit pension schemes	17,614	0	0	0
Deferred tax in respect of defined benefit pension schemes	(1,427)	0	0	0
Transfer of pension liability to County Council	26,825	0	0	0
Balance at 31 March	**1,260**	**16,200**	**682**	**16,882**

12. Leasing

(i) Finance Leases

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

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

Group	31 March 2013	31 March 2014
	£000s	£000s
Land and buildings	8,399	8,743
Vehicles, plant and equipment	10,070	8,023
Heritage Assets	1,220	2,178
Group Total	**19,689**	**18,944**

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

Group	31 March 2013	31 March 2014
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	2,372	2,415
Non current	8,268	7,709
Finance costs payable in future years	1,332	1,118
Minimum lease payments	**11,972**	**11,242**

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

Group	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£000s	£000s	£000s	£000s
Not later than one year	2,816	2,800	2,391	2,415
Later than one year and not later than five years	7,135	6,901	6,350	6,250
Later than five years	2,021	1,541	1,899	1,459
	11,972	**11,242**	**10,640**	**10,124**

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

(ii) Operating Leases

Vehicles, Plant and Equipment:

Norse Group Ltd - The group uses leased vehicles, plant and equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2013-14 was £2.495m (£1.779m in 2012-13). The company also leases a number of properties on short term leases which have been accounted for as operating leases. The rentals payable in 2013-14 were £1.926m (£1.962m in 2012-13).

Details of the Council's leases are shown in Note 41 on page 75.

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

	31 March 2013 restated	31 March 2014
	£000s	£000s
Not later than one year	3,996	5,235
Later than one year and not later than five years	11,872	12,839
Later than five years	17,595	16,173
Total	**33,463**	**34,247**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £4.421m (£6.473m in 2012-13)

13. Notes to the Cash Flow Statement

	2012-13 £000s	2013-14 £000s
Operating activities - the net cash flows include the following items:		
Interest received	(5,094)	(5,318)
Interest paid	34,636	33,772
Investing activities - the net cash flows include the following items:		
Purchase of property, plant and equipment, investment property and intangible assets	120,251	96,933
Purchase of short term and long term investments	56,859	1,098

Other payments for investing activities	2,887	7,190
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,707)	(7,378)
Proceeds from short term and long term investments	0	(9)
Other receipts from investing activities	(99,987)	(85,010)
Net cash flows from investing activities	**71,303**	**12,824**
Financing activities - the net cash flows include the following items:		
Cash receipts of short term and long term borrowing	(674)	0
Other receipts for financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,367	295
Repayments of short term and long term borrowing	13,860	12,548
Other payments from financing activities	4,149	2,562
Net cash flows from financing activities	**20,702**	**15,405**

14. Financial Instruments

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

		Long Term		**Current**	
		31 March 2013 £000s	**31 March 2014 £000s**	**31 March 2013 £000s**	**31 March 2014 £000s**
Investments:					
Loans and receivables		0	329	147,910	148,396
Available for sale financial assets	(i)	1,238	1,238	0	0
Icelandic Bank Investments	(ii)	6,321	282	1,094	138
Total included in Investments		**7,559**	**1,849**	**149,004**	**148,534**
Debtors					
Loans and receivables	(iii)	4,069	8,667	97,120	134,899
Soft Loans (legal charges on property)	(iv)	2,375	2,448	937	520
Total included in Debtors		**6,444**	**11,115**	**98,057**	**135,419**
Borrowings					
Financial liabilities at amortised cost:					
Principal amount		507,643	496,537	8,870	16,516
Accrued interest		0	0	6,650	6,533
Other accounting adjustments		2,416	2,381	0	0
Total included in Borrowings		**510,059**	**498,918**	**15,520**	**23,049**
Other Long Term Liabilities					
PFI and finance lease liabilities		64,823	63,490	3,508	3,208
Total Other Long Term Liabilities		**64,823**	**63,490**	**3,508**	**3,208**

	Long Term		Current	
	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Creditors				
Financial liabilities at amortised cost	836	0	149,336	150,484
Total included in Creditors	**836**	**0**	**149,336**	**150,484**

(i) The available for sale assets are the Council's investments in Norwich Airport (£1.236m) and in two other companies associated with the Airport - Legislator 1656 and Legislator 1657 (£0.002m). None of the companies are quoted on the stock exchange, the share holdings on the balance sheet are shown at cost in line with the Council's accounting policy.

(ii) The total shown for Icelandic Bank investments of £0.420m at 31 March 2014 reflects the carrying value as set out in Notes 7 and 17 to the Single Entity accounts.

(iii) The debtors and creditors total in the table above excludes non contractual items (e.g. council tax) as these are not financial instruments.

(iv) The soft loans represent the total of deferred payment agreements where residential care clients have exercised their option to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value shown includes an interest element based on the average rate of interest payable on the Council's debt for the year (5.25%).

The Council makes loans for car purchase to 73 employees in the authority who are in posts that require them to drive regularly on the Council's business. No Interest is charged on the loans but the Council assesses that an unsubsidised rate for such loans would have been 5.25%.

Norfolk Pension Fund Accounts

Introduction

This section provides details of the accounts of the Local Government Pension Fund for the year ending 31 March 2014.

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 will be considered by the Pensions Committee at its meeting on 23 September 2014 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 2013-14 (the Code of Practice) requires authorities to account for pension funds in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations detailed in the Code of Practice.

The accounting statements in this section comprise:

- Revenue and Fund Account – shows the changes in net assets available for benefits, including income to and expenditure from the fund relating to scheme members and to the investment and administration of the fund
- Net Assets Statement – discloses the type and value of the assets available at the year end to meet benefits
- Notes to the accounts – provide additional information including a description of the fund, a summary of the significant applicable accounting policies, and supporting information on the figures included in the accounts.

A list of participating employers is included at the end of this section.

Independent Auditor’s Report on Norfolk Pension Fund Accounts to the Members of Norfolk County Council

Once given, the auditors’ opinion will be inserted here.

Revenue and Fund Account for the year ended 31 March 2014

	Note	2012-13	2013-14
		£000s	**£000s**
Dealings with members, employers and others directly involved in the fund			
Contributions	7	111,682	114,170
Transfers in from other pension funds	8	16,467	5,695
		128,149	**119,865**
Benefits	9	(111,801)	(118,397)
Payments to and on account of leavers	10	(5,278)	(5,397)
Administration expenses	11	(1,709)	(2,006)
		(118,788)	**(125,800)**
Net additions/withdrawals from dealings with members		**9,361**	**(5,935)**
Returns on investments			
Investment income	12	54,007	55,654
Taxes on income	13	(342)	(373)
Profit and losses on disposal of investments and changes in the market value of investments	15a	232,679	150,925
Investment management expenses	14	(10,101)	(13,339)
Net return on investments		**276,243**	**192,867**
Net increase/decrease in the net assets available for benefits during the year		**285,604**	**186,932**
Opening net assets of the scheme		**2,197,611**	**2,483,215**
Closing net assets of the scheme		**2,483,215**	**2,670,147**

Net Assets Statement at 31 March 2014

	Note	2012-13 £000s	2013-14 £000s
Investment assets	15	2,475,509	2,656,212
Investment liabilities	15	(17,480)	(6,468)
		2,458,029	**2,649,744**
Long term Debtors	20	8,748	9,082
		8,748	**9,082**
Current Assets			
Debtors	20	17,928	17,438
Cash in hand		4,461	1,568
		22,389	**19,006**
Current Liabilities			
Creditors	21	(5,951)	(7,685)
		(5,951)	**(7,685)**
Net Current Assets		**16,438**	**11,321**
Net Assets of the Fund available to fund benefits at the period end		**2,483,215**	**2,670,147**

The fund accounts and the net assets statement do not take account of liabilities to pay pensions and other benefits after the period end. The ability to meet these future liabilities is considered by the Fund Actuary as part of the triennial formal valuation process. Information relating to the valuation of these liabilities is shown in note 19.

Notes to the Accounts

1. Description of the Fund

The Norfolk Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by Norfolk County Council ("the Administering Authority"). The Administering Authority is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Norfolk Pension Fund Annual Report 2013-14 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

(a) General

The fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009
- the Local Government Pension Scheme Regulations 2013
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

It is a contributory defined benefit pension scheme administered by Norfolk County Council to provide pensions and other benefits for pensionable employees of Norfolk County Council, the district councils in Norfolk and a range of other scheduled and admitted bodies. Teachers, police officers and fire fighters are not included as they come within other national public sector pension schemes.

The Council has delegated its pension functions to the Pensions Committee. Responsibility for the administration and financial management of the Fund has been delegated to the Head of Finance.

The Pension Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Committee meets quarterly in order to:

- Ensure compliance with legislation and best practice.
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service.
- Consider issues arising and make decisions to ensure efficient and effective performance and service delivery.
- Appoint and monitor advisors.
- Ensure that arrangements are in place for consultation with stakeholders as necessary.

(b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Norfolk Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation.

  Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are currently 181 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below:

	31 March 2013	31 March 2014
Number of Employers with Active Members	**152**	**181**
Number of Employees in Scheme		
Norfolk County Council	15,457	15,074
Other Employers	10,982	12,180
Total	**26,439**	**27,254**
Number of Pensioners		
Norfolk County Council	10,325	10,861
Other Employers	9,526	10,016
Total	**19,851**	**20,877**
Deferred Pensioners		
Norfolk County Council	15,279	16,522
Other Employers	9,256	10,254
Total	**24,535**	**26,776**

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. Circle Care and Support 2. Norfolk Community Alcohol Services (NORCAS) 3. Ormiston Children and Families Trust 4. Winterton-on-Sea Parish Council	1. Arden Grove Infant and Nursery Academy 2. Attleborough High School Academy 3. Blofield Parish Council 4. Cliff Park Ormiston Academy 5. Cliff Park Schools Trust Ltd 6. Costessey Infant School (Academy) 7. Ditchingham Church of England Primary Academy 8. Downham Market Academy 9. Edwards and Blake (Neatherd High) 10. Fakenham Academy Norfolk 11. Harling Parish Council 12. Heartsease Primary Academy 13. Hemblington Parish Council 14. Hethersett Academy 15. Independence Matters 16. Inspiration Trust 17. Moorlands Church of England Primary Academy 18. Nelson Academy 19. Norfolk and Suffolk NHSFT 20. Norwich Primary Academy 21. Norwich Road Academy 22. Ormiston Herman Academy 23. Pre School Learning Alliance (Hunstanton) 24. Pre School Learning Alliance (Milestones) 25. Pre School Learning Alliance (Thorpe) 26. Sir Isaac Newton Free School 27. Snettersham Parish Council 28. St Clements High School Academy 29. Stalham Town Council 30. Taverham High School (Academy) 31. The Matthew Project 32. Thetford Free School 33. Woodlands Primary Academy

A full list of participating employers is shown on page 153.

(c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2014, employee contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of full-time equivalent pensionable salary.

For the financial year ending 31 March 2015, employee contributions will be made by active members of the Fund under the new scheme in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of actual pensionable pay.

Full-time equivalent salary 2013-14	Contribution rate per year 2013-14		Full-time equivalent salary 2014-15	Contribution rate per year 2014-15
Up to £13,700	5.5%		Up to £13,500	5.5%
£13,701 - £16,100	5.8%		£13,501 to £21,000	5.8%

£16,101 - £20,800	5.9%	£21,001 to £34,000	6.5%
£20,801 - £34,700	6.5%	£34,001 to £43,000	6.8%
£34,701 - £46,500	6.8%	£43,001 to £60,000	8.5%
£46,501 - £87,100	7.2%	£60,001 to £85,000	9.9%
More than £87,100	7.5%	£85,001 to £100,000	10.5%
		£100,001 to £150,000	11.4%
		£150,001 or more	12.5%

Employee contribution rates are prescribed by the governing regulations, and cannot be varied locally. Employers' contributions are set based on triennial actuarial funding valuations.

The March 2010 valuation set employer contribution rates for the 2013-14 financial year, and the rates range from 13.0% to 26.8% of pensionable pay (excluding lump sum deficit recovery payments).

The valuation at March 2013 has now been completed and has set the rates payable by employers for the period 1st April 2014 to 31st March 2017. Excluding lump sum deficit recovery payments these rates range from 0% to 28.6% of actual pensionable pay.

(d) Benefits

Pension benefits under the LGPS (until March 2014) are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary	No automatic lump sum
Additional Lump Sum	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1of pension given up	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1of pension given up

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.

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 to the consumer prices index. This change took effect from 1 April 2011. The 2014 pensions increase was 2.7% (2.2% in 2012-13).

LGPS 2014

The LGPS 2014 scheme came into force from 1st April 2014. The Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 set out the framework for the new scheme and were laid before parliament on 19th September 2013 and 10th March 2014 respectively.

The main provisions of the new scheme are as follows:

- A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme).

- An accrual rate of 1/49th (the current scheme is 1/60th).

- No normal scheme pension age, instead each member's Normal Pension Age (NPA) would be their State Pension Age (the current scheme has an NPA of 65).

- Average member contributions to the scheme would be 6.5% (same as the current scheme). The rate will be determined on actual pay (including non contractual overtime and additional hours for part time staff (the current scheme determines part-time contribution rates on full time equivalent pay).

- A 50/50 option that will allow members to elect to pay half contributions for half the pension, while still retaining the full value of other benefits (the current scheme has no such flexible option).

- For current scheme members, benefits for service prior to 1st April are protected, including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and current NPA.

- Death in Service 3 times pensionable pay.

- Vesting Period 2 years (current scheme is 3 months).

2. Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2013-14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 approach, is disclosed at Note 19 of these accounts.

The accounts have been prepared on the normal accruals basis of accounting other than in respect of transfer values.

Generally transfer values are prepared on a cash basis. Where a transaction in respect of a transfer out has already been processed through the pensions administration system but not through the accounts payable system a creditor will be shown.

3. Summary of Significant Accounting Policies

Fund Account - Revenue Recognition

(a) Contribution income

Employees normal and additional contributions are accounted for when deducted from pay. Employer contributions are accounted for on the same basis as they are expressed in the Rates & Adjustments certificate to the relevant formal valuation. Employees and employers normal contributions are accounted for on an accruals basis.

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) Administration 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.

(g) Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fund Manager fees are broadly based on the market value of the assets under management and therefore increase or reduce as the value of these investments change. Fees payable to external investment managers and the custodian are in accordance with the contractual agreements with the Fund.

In addition the Fund has agreements with the following managers that an element of their fee is performance related:

Manager	Asset Class
Baillie Gifford & Co	UK Equities
Capital International	Global Equities
Fidelity	Overseas Equities

Manager	Asset Class
Henderson Global Investors	Fixed Income

	2012-13 £000s		2013-14 £000s
Performance-related fees	947		2,634

Where an investment managers' fee invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year plus any appropriate performance allowance is used for inclusion in the Fund account.

	2012-13 £000s		2013-14 £000s
Value of fees based on estimates	2,149		3,451

The cost of obtaining investment advice from external consultants, investment performance measurement, governance and voting and custody is included in investment management charges.

Net Assets Statement

(h) 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.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.

  Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs.

  Directly held investments includes investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the appropriate industry guidelines.

iv) Limited partnerships

Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

vi) Freehold and leasehold properties

The direct property holding is unchanged and was last valued at open market value on 31 March 2013 by NPS Property Consultants Ltd using a MRICS qualified Valuer in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards 2012.

(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 value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

(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 (currently Northern Trust) are classified as cash deposits within other investment balances. Operational cash balances managed by the Administering Authority's treasury management operations are disclosed as cash in hand within current assets.

(l) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

(m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 19).

(n) Additional voluntary contributions (AVCs)

The Fund has three appointed providers of AVCs; Prudential, Clerical Medical and Equitable Life (a legacy arrangement that is not open to new contributors).

AVCs are held by the providers and do not form part of the Fund's assets. These amounts are not included in the main fund accounts in accordance with Regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 but are disclosed as a note only (note 22).

Members participating in these arrangements receive an annual statement at 31 March each year showing the amount held in their account and the movements in the year. Contributions are deducted from member salaries by their employer and paid directly to the AVC providers. AVCs may be used to fund additional retirement benefits or to purchase additional life cover at a level higher than that provided by the main scheme.

Upon retirement the value of an individual AVC account may be used in some or all of the following ways depending on the circumstances of the retiring member:

i) Buy an annuity from a third party provider.
ii) Buy an annuity within the LGPS.
iii) Take some of or the entire accumulated AVC fund as cash, if within limits set down in the scheme regulations and by HMRC.
iv) Under certain specific circumstances buy extra membership within the LGPS (this is a legacy right associated with some members only)

4. Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Funds managed by HarbourVest are subject to full valuations at 31 March each year. Standard Life funds are valued at 31 December and rolled forward for cash flows to 31 March.

	2012-13 £000s		2013-14 £000s
Value of unquoted private equity	181,608		188,146

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary. The assumptions underpinning the valuations are agreed with the actuary and are summarised in note 18. In accordance with IAS26 the fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits (see note 19). Actuarial methodology used in triennial valuations is different from that used in IAS26, therefore they will produce different liability values at a common valuation date.

The liability estimates in notes 18 and 19 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of	The effects on the net pension liability of changes in individual assumptions can be

Item	Uncertainties	Effect if actual results differ from assumptions
(measured under IAS26)	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.	measured. For instance, a 0.5% increase in the real discount rate assumption would result in a decrease in the pension liability of £333 million. A 0.25% increase in the assumed earnings inflation would increase the value of liabilities by approximately £53 million, a 0.5% increase in the pension increase rate would increase the liability by approximately £259 million and a one-year increase in assumed life expectancy would increase the liability by approximately £112 million.
Private Equity	Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £188.1 million. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the Balance Sheet Date

There have been no events since 31 March 2014, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions receivable

	2012-13 £000s	2013-14 £000s
By Category		
Employers – normal	81,912	84,045
Employers – special	801	334
Employers – augmentation	206	388
Employers – strain	2,250	2,682
Members – normal	25,587	25,842
Members – purchase of additional scheme benefits	926	879
	111,682	**114,170**

	2012-13 £000s	2013-14 £000s
By Authority		
Administering authority	50,133	50,490
Other scheduled bodies	38,853	41,882
Community admission bodies	5,595	5,529

Transferee admission bodies	3,181	1,614
Resolution bodies	13,920	14,655
Total	**111,682**	**114,170**

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

Where applicable the actuarial certification of the employer's 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.

	2012-13	**2013-14**
	£000s	**£000s**
Deficit recovery contribution included in employers' normal contributions	20,151	21,016
Total	**20,151**	**21,016**

Pension benefits are funded to be paid from normal retirement age. If any employee is allowed to take their pension benefits early this places an additional cost (strain) on the Pension Fund. Employers are required to reimburse the Pension Fund in respect of the "strain costs" arising from an employee taking early retirement. In some cases the cost can be paid in full at the date of retirement or by instalments over 3 years in which case interest is added.

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:

	2012-13	**2013-14**
	£000s	**£000s**
Strain instalments due after the balance sheet date	9	22
Total	**9**	**22**

The debtors figure for augmentation/strain due in note 20 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2013.

8. Transfers in from other Pension Funds

	2012-13	**2013-14**
	£000s	**£000s**
Group transfers	8,176	0
Individual transfers	8,291	5,695
Total	**16,467**	**5,695**

The 2013-14 transfers in figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements

In 2012-13 the transfers in figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements and the bulk transfer settlement received in the year from the Suffolk Pension Fund following the Easton and Otley College merger

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With effect from 1 April 2005 the Magistrates Courts Service (a body participating in the Norfolk Pension Fund) became part of the civil service. Terms have been agreed for the transfer of liabilities from all Local Government Pension Schemes (LGPS) to the Principal Civil Service Scheme (PCSPS).

Each affected LGPS Fund's actuary has determined the value of the pensioner and deferred liabilities remaining with the LGPS and calculated the requirement for sufficient retained assets to match these liabilities.

The Actuary has determined that there are insufficient assets to cover the remaining liabilities so a balancing payment is required to the Fund by the Civil Service (Her Majesty's Courts Service), spread over ten annual instalments.

	2012-13	**2013-14**
	£000s	**£000s**
HMCS total present value	8,504	8,823
Total	**8,504**	**8,823**

The discounted value of the outstanding cash flows is included in debtor balances at the year-end. The total present value of these payments is calculated as £8.8 million. As the payment is being made direct by the sponsoring government department rather than from the PCSPS (a registered pension scheme), the income has been classified as employer special contributions.

9. Benefits payable

	2012-13	**2013-14**
	£000s	**£000s**
By Category		
Pensions	87,606	93,207
Commutation and lump sum retirement	21,886	23,089
Lump sum death benefits	2,309	2,101
Total	**111,801**	**118,397**
By Authority		
Administering authority	51,766	55,539
Other scheduled bodies	44,179	45,516
Community admission bodies	4,555	4,569
Transferee admission bodies	3,194	2,836
Resolution bodies	8,107	9,937
Total	**111,801**	**118,397**

10. Payments to and on account of leavers

	2012-13	**2013-14**
	£000s	**£000s**
Refunds to members leaving service	13	17
Individual Transfers out to other Schemes	5,210	5,375
Payment made under Regulation 74, 75 and 15(3) of the Local Government Pension Scheme (Administration) Regulations 2008	55	5
Total	**5,278**	**5,397**

11. Administrative 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).

	2012-13 £000s	2013-14 £000s
Employee Costs	1,073	1,171
Operational support services	445	495
Communication expenses	83	100
Actuarial fees	42	193
Internal audit fees	17	20
External audit fees	23	21
Internal legal fees	19	2
External legal fees	7	4
Total	**1,709**	**2,006**

12. Investment Income

	2012-13 £000s	2013-14 £000s
Income from fixed interest securities	6,038	7,448
Equity dividends	17,811	18,969
Pooled property investments	11,073	11,231
Pooled fund income- Unit trusts and other managed funds	11,283	9,829
Private equity income	2,971	2,695
Pooled funds rebate	4,463	5,163
Stock lending	155	130
Interest on cash deposits	189	137
Property (Note 12a)	21	36
Other	3	16
Total Investment Income	**54,007**	**55,654**

12 (a). Property Income

	2012-13 £000s	2013-14 £000s
Rental income	21	36
Direct operating expenses	(8)	(18)
Net income	**13**	**18**

13. Taxes on Income

	2012-13 £000s	2013-14 £000s
Withholding tax - equities	305	325
Withholding tax – pooled investments	37	48
	342	**373**

14. Investment Expenses

	2012-13 £000s	2013-14 £000s
Management fees – invoiced ad valorem	4,617	5,769
Management fees – invoiced performance	947	2,635
Management expenses on unit trusts	1,453	1,481
Private Equity – fund of fund fees	2,714	3,188
Direct Property	8	18
Custody fees	96	120
Performance monitoring service	7	8
Actuarial fees - investment consultancy	57	32
Internal legal fees	2	3
External legal fees	113	28
Governance & Voting Services	24	20
Derivative commission fees	63	37
Total	**10,101**	**13,339**

15. Investments

	Market Value 31 March 2013 £000s	Market Value 31 March 2014 £000s
Investment assets		
Fixed Interest Securities	119,061	122,677
Equities	744,493	793,786
Pooled Investments	1,109,477	1,190,572
Pooled property investments	276,139	308,550
Private equity Partnerships	181,608	188,146
Property	454	454
Derivatives - forward currency	1,537	6,770

	Market Value 31 March 2013 £000s	Market Value 31 March 2014 £000s
Cash deposits	40,376	40,844
Amounts receivable for sales	2,364	4,413
Total investment assets	**2,475,509**	**2,656,212**
Investment liabilities		
Derivatives – futures	(1,640)	(290)
Derivatives - forward currency	(7,165)	(1,756)
Amounts payable for purchases	(8,675)	(4,422)
Total investment liabilities	**(17,480)**	**(6,468)**
Net investment assets	**2,458,029**	**2,649,744**

15 (a) Reconciliation of Movements in Investments and Derivatives 2013-14

	Market value 31 March 2013 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in market value during the year £000s	Market value 31 March 2014 £000s
Fixed interest securities	**119,061**	17,631	(9,196)	(4,819)	**122,677**
Equities	**744,493**	281,002	(276,729)	45,020	**793,786**
Pooled investments	**1,109,477**	107,178	(76,007)	49,924	**1,190,572**
Pooled property investments	**276,139**	39,790	(18,469)	11,090	**308,550**
Private equity	**181,608**	28,502	(28,993)	7,029	**188,146**
Property	**454**	0	0	0	**454**
	2,431,232	**474,103**	**(409,394)**	**108,244**	**2,604,185**
Derivative contracts:					
- Futures	**(1,640)**	2,168	(3,225)	2,407	**(290)**
- Forward currency contracts	**(5,628)**	95,872	(122,579)	37,349	**5,014**
	(7,268)	**98,040**	**(125,804)**	**39,756**	**4,724**
Other investment balances:					

	Market value 31 March 2013 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in market value during the year £000s	Market value 31 March 2014 £000s
- Cash deposits	**40,376**			2,925	**40,844**
- Amount receivable for sales of investments	**2,364**				**4,413**
- Amount payable for purchases of investments	**(8,675)**				**(4,422)**
Net investment assets	**2,458,029**			**150,925**	**2,649,744**

15 (a) Reconciliation of Movements in Investments and Derivatives 2012-13

	Market value 31 March 2012 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in market value during the year £000s	Market value 31 March 2013 £000s
Fixed interest securities	**112,838**	5,957	(3,109)	3,375	**119,061**
Equities	**621,289**	192,417	(175,986)	106,773	**744,493**
Pooled investments	**949,662**	55,402	(25,786)	130,199	**1,109,477**
Pooled property investments	**274,311**	44,047	(25,095)	(17,124)	**276,139**
Private equity	**169,839**	21,276	(15,849)	6,342	**181,608**
Property	**395**	0	0	59	**454**
	2,128,334	**319,099**	**(245,825)**	**229,624**	**2,431,232**
Derivative contracts:					
- Futures	**(103)**	3,855	(1,411)	(3,981)	**(1,640)**
- Forward currency contracts	**1,705**	67,098	(62,543)	(11,888)	**(5,628)**
	1,602	**70,953**	**(63,954)**	**(15,869)**	**(7,268)**
Other investment balances:	**42,908**			18,924	**40,376**
- Cash deposits	**2,944**				**2,364**
- Amount receivable for sales of investments	**(7,271)**				**(8,675)**
- Amount payable for purchases of investments					
Net investment assets	**2,168,517**			**232,679**	**2,458,029**

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Transaction costs incurred during 2013-14	£765,000
Transaction costs incurred during 2012-13	£567,000

15 (b) Analysis of Investments (excluding derivative contracts)

	2012-13 £000s	2013-14 £000s
Fixed Interest Securities		
UK		
Corporate quoted	68,911	73,710
Overseas		
Public sector quoted	478	442
Corporate quoted	49,672	48,525
	119,061	**122,677**
Equities		
UK		
Quoted	271,034	271,726
Overseas		
Quoted	473,459	522,060
	744,493	**793,786**
Pooled Funds – additional analysis		
Unit trusts	818,775	850,132
Unitised insurance policies	223,383	243,409
Other managed funds	67,319	97,031
	1,109,477	**1,190,572**
Pooled property investments	276,139	308,550
Private equity	181,608	188,146
Direct Property	454	454
	458,201	**497,150**
	2,431,232	**2,604,185**

15 (b) Analysis of Derivatives

Objectives and policies for holding derivatives

The holdings in derivatives are to hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreements between the fund and the investment managers holding mandates that permit the use of these instruments.

a) Futures

Futures contracts are exchange traded contracts to buy or sell a standard quantity of a specific asset at a pre-determined future date. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

The fund has authorised the use of futures by Henderson and M&G to assist in meeting the investment objectives that they have been set. Specifically in the M&G portfolio futures are used to hedge the risk of a future rise in gilt yields and its impact on the portfolio. Henderson did not hold any futures contracts in its portfolio at 31 March 2014 (2013 nil).

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment opportunities, a significant proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a currency hedging programme in place.

At the start of the year 2012-13, the currency hedge activity in respect of quoted overseas equities was undertaken on a passive basis by the Custodian. The passive hedge ratio was 60% of the US Dollar, Euro and Yen exposure within the portfolios managed by Capital International, Fidelity, Sarasin and Wellington.

During the 2012-13 the passive arrangement was replaced by a dynamic hedging programme managed by Insight Investment (Pareto) and Berenberg Bank. Both managers have retained a benchmark hedge of 60% of the US Dollar, Euro and Yen exposure within the portfolios managed by Capital International, Fidelity, Sarasin and Wellington. However, the dynamic hedge approach allows Insight Investment (Pareto) and Berenberg Bank to actively move the hedge ratio between 0% and 100% of the underlying currency exposure.

The Fund also requires Aviva to hedge 100% of the currency exposure arising from its discretionary (off-benchmark) investments in global (ex-UK) property funds. This hedging activity covers US Dollar, Euro, Yen and Australian Dollar exposures. Similarly M&G are required to hedge 100% of the non-Sterling currency exposure (Euro) within its fixed interest portfolio.

In addition to these mandate positions short term contracts may also arise in portfolios investing in non-Sterling denominated assets as a consequence of the need to settle transactions in foreign currencies. These tend to be shorter term contracts than those undertaken for other purposes but settlement may span the balance sheet date.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000s	Market Value 31 March 2013 £000s	Economic Exposure £000s	Market Value 31 March 2014 £000s
Assets					
UK fixed interest	Less than 1 year	0	0	(9,838)	10
Total assets			**0**		**10**
Liabilities					
UK fixed interest	Less than 1 year	(95,344)	(1,640)	(81,028)	(300)
Total liabilities			**(1,640)**		**(300)**
Net futures			**(1,640)**		**(290)**

Included within cash balances is £1,595,000 (2013 £3,100,000) in respect of initial and variation margins arising on open futures contacts at the year end.

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	£	7,615	AUD	(14,217)		(279)
Up to one month	£	206,793	EUR	(247,816)	1,897	
Up to one month	£	111,953	JPY	(19,036,664)	1,044	
Up to one month	£	418,879	$	(691,836)	3,829	
Up to one month	CHF	119	$	(135)		0
Up to one month	EUR	50,564	£	(42,092)		(285)
Up to one month	EUR	88	$	(121)		0
Up to one month	JPY	5,775,387	£	(34,262)		(614)
Up to one month	$	1,077	CHF	(953)		(1)
Up to one month	$	125	EUR	(91)		0
Up to one month	$	87,145	£	(52,856)		(576)
Up to one month	$	714	NOK	(4,284)		(1)
Open forward currency contacts at 31 March 2014					**6,770**	**(1,756)**
Net forward currency contracts at 31 March 2014						**5,014**
Prior year						
Open forward currency contacts at 31 March 2013					**1,536**	**(7,164)**
Net forward currency contracts at 31 March 2013						**(5,628)**

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
CHF	Swiss Franc
EUR	Euro
NOK	Norwegian Krone
JPY	Japanese yen

15 (b) Investments Analysed by Fund Manager

	Market Value 31 March 2013 £000s	%	Market Value 31 March 2014 £000s	%
Fidelity	466,168	18.97	473,082	17.85
Aviva Investors	283,769	11.54	318,194	12.01
Henderson Global Investors	231,495	9.42	275,899	10.41
Capital International Ltd	267,647	10.89	275,520	10.40
Legal & General Investment Management	223,383	9.09	243,409	9.19
Baillie Gifford & Co	247,561	10.07	241,021	9.10
Sarasin & Partners	153,235	6.23	173,273	6.54
Wellington International	147,796	6.01	173,216	6.53
Goldman Sachs Asset Management	131,285	5.34	151,592	5.72
M&G	122,288	4.98	126,385	4.77
HarbourVest Partners	84,605	3.44	94,720	3.57
SL Capital Partners	97,003	3.95	93,426	3.53
Northern Trust*	6,732	0.27	5,044	0.19
Insight Investment (Pareto) (Implemented October 2012)*	(5,640)	(0.23)	3,238	0.12
Berenberg Bank (Implemented January 2013)*	702	0.03	1,725	0.07
	2,458,029	**100.00**	**2,649,744**	**100.00**

All the above companies are registered in the United Kingdom.

* The assets held by Northern Trust represent cash held in money market funds primarily to meet the cash flow requirements of the Fund's private equity programme and monies held for property investment. Currency hedging contracts in respect of the Fund's overseas equity holdings are reported in the Insight Investment (Pareto) and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable.

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15 (b) Investments representing more than 5% of the Net Assets of the Scheme

Security	Market Value 31 March 2013 £000s	Percentage of Total Fund %	Market Value 31 March 2014 £000s	Percentage of Total Fund %
Legal & General UK Equity Index Fund	223,383	9.0	243,409	9.1
Fidelity Institutional Exempt America Fund	158,068	6.4	162,719	6.1
Goldman Sachs Strategic Absolute Return (STAR) Bond Fund	131,285	5.3	151,592	5.7
Fidelity Institutional Europe Fund	126,775	5.1	140,908	5.3

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Four pooled holdings do represent over 5% of the total value of the net assets of the scheme. Each holding is a pooled investment vehicle and comprises the following:

- At 31 March 2014 the Legal and General UK Equity Index Fund held 622 (2013 597) stocks compared with the 622 (2013 598) stocks in the equity index that it tracks (FTSE all-share).
- The underlying holdings of the Fidelity Institutional Exempt America Fund comprised 181 stocks at 31 March 2014 (2013 268).
- The Goldman Sachs STAR Fund held 1,436 (2013 1,121) individual positions at 31 March 2014.
- The Fidelity Institutional Europe Fund comprised 61 holdings at 31 March 2014 (2013 67).

The Legal & General investment is a unit linked contract of long term insurance ("the policy") issued by Legal & General Assurance (Pensions Management) Limited ("PMC"), to which units are allocated in the range of pooled investment funds operated as portfolios of assets ("PF Sections). The policy falls within Class II of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a "with profits" contract. The value of the units in a PF Section are directly linked to the assets legally and beneficially owned by PMC and held in that PF section and units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at PMC's discretion, by a transfer of assets in specie). The value is incorporated into the net asset statement within other managed funds. The underlying assets are predominantly quoted UK equities but may also include uninvested cash and futures.

Within the Reconciliation of the Movements in Investments, the following investments represented more than 5% of the asset class or type at 31 March 2013:

Holding/Investment Type	Market Value 31 March 2014 £000s	Percentage of asset class %
Pooled investments		
Legal & General UK Equity Index Fund	243,409	20.44
Fidelity Institutional Exempt America Fund	162,719	13.67
Goldman Sachs Strategic Absolute Return Bond Fund	151,592	12.73
Fidelity Institutional Europe Fund	140,908	11.84
Henderson Long Dated Credit Fund	123,590	10.38
Fidelity Institutional Japan Fund	82,791	6.95
Pooled property investments		
Standard Life Pooled Property Fund	23,934	7.76
Aviva Investors Pensions Property Fund	23,263	7.54
Blackrock UK Property Fund	20,811	6.74
Threadneedle Property Unit Trust	20,735	6.72
Industrial Property Investment Fund	19,185	6.22
Standard Life Pooled Property Fund	18,027	5.84
Lothbury Property Trust	16,478	5.34
Ashtenne Industrial Property Fund	15,807	5.12
Private equity		
Harbourvest VIII Cayman Buyout Fund	42,532	22.61
Standard Life European Strategic Partners 2004	41,544	22.08
Standard Life European Strategic Partners 2006	31,358	16.67
Harbourvest VIII Cayman Venture Fund	25,151	13.37
Standard Life European Strategic Partners 2008	20,524	10.91
Harbourvest VII 2005 Cayman Buyout Fund	11,168	5.94
Direct Property		
Hamlin Way, King's Lynn	454	100.00
Derivatives - Futures		
June 2012 Long GILT Future	(167)	57.43
June 2012 Medium GILT Future	(133)	45.84

15 (c) Stock Lending

	31 March 2013	31 March 2014
	£000s	£000s
Value of quoted equities on loan	53,605	67,793
Fair value of collateral held by Custodian	58,168	71,784
Collateral relative to stock on loan (percentage coverage)	109%	106%

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

All loans are fully collateralised with government securities, bank letters of credit, certificates of deposit or UK equities settled in CREST. Northern Trust provides certain additional indemnifications as part of the lending agreement with them, to protect the Fund in the event of a borrower default coupled with a collateral shortfall relative to the defaulting position.

The maximum value of stock that may be on loan is £150m and an individual borrower limit (applied at the parent borrower level) of £25m is applied.

The following table provides an analysis of the securities on loan at 31 March:

Asset Type	**Value on loan at 31 March 2013 £000s**	**Value on loan at 31 March 2014 £000s**
UK Equities	21,667	22,138
Overseas Equities	22,559	37,037
Corporate Bonds	9,379	8,618

At 31 March 2014, securities were on loan to 15 separate borrowers representing 14 parent groups. The largest single parent exposure was 26% of the lending programme.

15 (d) Property Holdings

	Year ending 31 March 2013 £000s	**Year ending 31 March 2014 £000s**
Opening Balance	395	454
Additions	0	0
Disposals	0	0
Net increase in market value	59	0
Other changes in fair value	0	0
Closing balance	**454**	**454**

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the fund is not under any contractual obligations to purchase, construct or develop the property. Nor does it have any responsibility for any repairs, maintenance or enhancements.

16. Financial Instruments

16 (a) Classification

	31 March 2013			31 March 2014		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000s	£000s	£000s	£000s	£000s	£000s
Financial assets						
Fixed Interest Securities	119,061			122,677		
Equities	744,493			793,786		
Pooled Investments	1,109,477			1,190,572		
Pooled Property	276,139			308,550		
Private equity	181,608			188,146		
Derivative contracts	1,537			6,770		
Cash		44,837			42,412	
Other investment balances	9,354			11,076		
Debtors		145			82	
	2,441,669	**44,982**	**0**	**2,621,577**	**42,494**	**0**
Financial liabilities						
Derivative contracts	(8,805)			(2,046)		
Creditors			(3,956)			(5,462)
Other investment balances	(8,675)			(4,422)		
	(17,480)	**0**	**(3,956)**	**(6,468)**	**0**	**(5,462)**
	2,424,189	**44,982**	**(3,956)**	**2,615,109**	**42,494**	**(5,462)**

16 (b) Net gains and losses on Financial Instruments

	31 March 13 £000s	31 March 14 £000s
Financial assets		
Fair value through profit and loss	310,738	241,987
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial liabilities		
Fair value through profit and loss	(78,118)	(91,062)
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Total	**232,620**	**150,925**
Reconciliation of Change in market value during the year shown at note 15(a)		
Assets that are not Financial Instruments - Directly Held Property change in Market Value	**59**	**0**
	232,679	**150,925**

16 (c) Fair Value of Financial Instruments and Liabilities

In accordance with our accounting policies, financial assets and liabilities are included in the accounts on a fair value basis. The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

16 (d) Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2014	**Quoted market price Level 1 £000s**	**Using observable inputs Level 2 £000s**	**With significant unobservable inputs Level 3 £000s**	**Total £000s**
Financial assets				
Financial assets at fair value through profit and loss	2,124,882	0	496,695	2,621,577
Loans and receivables	42,494	0	0	42,494
Total financial assets	**2,167,376**	**0**	**496,695**	**2,664,071**
Financial liabilities				
Fair value through profit and loss	(6,468)	0	0	(6,468)
Financial liabilities at amortised cost	(5,462)	0	0	(5,462)
Total financial liabilities	**(11,930)**	**0**	**0**	**(11,930)**
Net financial assets	**2,155,446**	**0**	**496,695**	**2,652,141**

Values at 31 March 2013	**Quoted market price Level 1 £000s**	**Using observable inputs Level 2 £000s**	**With significant unobservable inputs Level 3 £000s**	**Total £000s**
Financial assets				
Financial assets at fair value through profit and loss	1,983,922	0	457,747	2,441,669
Loans and receivables	44,982	0	0	44,982
Total financial assets	**2,028,904**	**0**	**457,747**	**2,486,651**
Financial liabilities				
Fair value through profit and loss	(17,480)	0	0	(17,480)

Values at 31 March 2013	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial liabilities at amortised cost	(3,956)	0	0	(3,956)
Total financial liabilities	**(21,436)**	**0**	**0**	**(21,436)**
Net financial assets	**2,007,468**	**0**	**457,747**	**2,465,215**

17. Nature and Extent of Risks Arising From Financial Instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. As there is an essential contradiction in these two aims the investment strategy aims to achieve an acceptable overall balance between “risk and reward”. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management and investments strategies rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objectives of the fund’s risk management strategy are to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return at a given level of risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investment presents a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited but restrictions are in place on managers undertaking this activity.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Funds performance monitoring advisor, the Fund has determined that the following movements in market price risk are reasonably possible for the 2014-15 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Bonds including pooled	5.47
Overseas Bonds including pooled	3.53
UK Equities including pooled	12.66
Overseas Equities including pooled	11.81
Index Linked Gilts including pooled	8.89
Property Investments (pooled and direct)	3.01
Private Equity	7.59
Cash and Cash Equivalents (Including Payables and Receivables)	0.02
Total	**7.18***

* The total % includes the impact of correlation across asset classes at an aggregate level.

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the funds investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is also shown below):

Asset Type	Value as at 31 March 2014 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	45,849	0.02	45,858	45,840
Investment Portfolio Assets:				
UK Equities including pooled	525,520	12.66	592,051	458,989
Overseas Equities including pooled	1,031,346	11.81	1,153,148	909,544
UK Bonds including pooled	128,920	5.47	135,972	121,868
Overseas Bonds including pooled	365,681	3.53	378,590	352,772
Index Linked Gilts including pooled	55,278	8.89	60,192	50,364
Pooled & Direct Property Investments	309,004	3.01	318,305	299,703
Private Equity Partnerships	188,146	7.59	202,426	173,866
Total Assets Available to Pay Benefits	**2,649,744**	**7.18**	**2,839,996***	**2,459,492***

Asset Type	Value as at 31 March 2013 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	28,437	0.02	28,443	28,432
Investment Portfolio Assets:				
UK Equities including pooled	508,247	13.09	574,776	441,717
Overseas Equities including pooled	982,978	12.96	1,110,372	855,584
UK Bonds including pooled	113,818	6.20	120,874	106,761
Overseas Bonds including pooled	318,221	4.38	332,159	304,283
Index Linked Gilts including pooled	48,128	8.28	52,113	44,143
Pooled & Direct Property Investments	276,592	2.72	284,116	269,069
Private Equity Partnerships	181,608	9.24	198,389	164,827
Total Assets Available to Pay Benefits	**2,458,029**	**7.66%**	**2,646,314***	**2,269,744***

* The % change for Total Assets includes the impact of correlation across asset classes, which lowers the total increase and increases the total decrease at an aggregate level.

Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements through its gross cash holdings as at 31 March 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2013 £000s	Value as at 31 March 2014 £000s
Investment Cash Balances	40,376	40,844
Cash in hand	4,461	1,568
Total	**44,837**	**42,412**

Interest Rate Risk Sensitivity Analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied by the Administering Authority when considering risk in its own treasury management activities.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates:

Asset Type	Carrying Amount as at 31 March 2014 £000s	Change in year in the net assets available to pay benefits +100 BPS £000s	-100 BPS £000s
Investment Cash Balances	40,844	408	(408)
Cash in hand	1,568	16	(16)
	42,412	**424**	**(424)**

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (Sterling). The fund holds both monetary and non-monetary assets denominated in currencies other than Sterling and Sterling denominated pooled investment vehicles where the underlying assets are denominated in other currencies. As detailed in note 15b the Fund has various hedging strategies in place to reduce the impact of currency volatility on the Fund assets. The table below is prepared after consideration of the hedging strategies in place.

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the funds performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 2.99% in respect of non-sterling assets including those partially hedged to Sterling but excluding those where full hedging is in place (see note 15b).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 2.99% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows (values shown are for non-Sterling denominated assets were full hedging of currency risk is not in place):

Currency Exposure – Asset Type	Asset Value as at 31 March 2014 £000s	Change to net assets available to pay benefits +2.99% £000s	-2.99% £000s
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,028,977	30,766	(30,766)
Private Equity	188,146	5,626	(5,626)
Change in net assets available to pay benefits		**36,392**	**(36,392)**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Where a direct counterparty relationship exists, cash collateral is posted when the value of unrealised profit due to the Fund exceeds an agreed limit.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. Money market funds that are used all have AAA rating from a leading ratings agency.

The non-investment cash holding was managed through the treasury management arrangements of the Administering Authority:

The credit exposure was as follows:

Summary	Short term Rating (S&P)	Balances at 31 March 2013 £000s	Balances at 31 March 2014 £000s
Debt Management Office	No short term rating but long term AAA		
Bank Deposit Accounts			
Barclays Bank PLC	A-1	2,127	789
HSBC	A-1+		789
Lloyds TSB	A-1	2,127	
Bank Current Accounts			
Co-op Bank	Not rated by S&P – Fitch B	50	11
Total		4,304	1,589

The majority of investment cash within the custody system (Northern Trust) is swept overnight to the AAA rated money market funds of the custodian and one other provider (Deutsche). The credit exposure on investment cash balances at 31 March 2014 comprise £37.7 million (£36.4 million) deposited with AAA rated money market funds, £1.6 million (£0.9 million) deposited direct with the custodian Northern Trust Company (rated A-1+), £1.6 million (£3.1 million) posted to a variation margin account held by Barclays Bank (rated A-1).

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The council has immediate access to its pension fund cash holdings, there were no deposits with fixed periods at 31 March 2014 (2013 nil).

Liquid Assets

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. The Fund classifies property (pooled and direct) and private equity partnerships in this category.

Balances at 31 March 2013 £000s	Percentage of Total Fund Assets %	Balances at 31 March 2014 £000s	Percentage of Total Fund Assets %
458,201	18.6	497,150	18.8

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 2014 are due within one year.

Refinancing Risk

The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury and investment strategies.

18. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013.

The funding policy is set out in the administering authority's Funding Strategy Statement. The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by council tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of approximately 20 years and to provide stability in employer contribution rates where prudently possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet the expected future pension benefits payable. When an employer's funding level is less than 100% of the funding target (full solvency), then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

	Funded %	**Deficit £ millions**
2013 actuarial valuation	78%	705
2010 actuarial valuation	80%	486

The common contribution rate is 29.6% of payroll (2010 22.4%). The employer contribution rates payable (plus cash sums as applicable) arising from the 2013 Valuation are as follows:

Year	**Employers Contribution Rates (% of actual pensionable payroll)**
1 April 2014 to 31 March 2015	Range from nil to 28.6
1 April 2015 to 31 March 2016	Range from nil to 28.6
1 April 2016 to 31 March 2017	Range from nil to 28.6

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service.

The principal assumptions were:

Financial Assumptions at 31 March 2013

Investment Return (discount rate)	% per annum Nominal	% per annum Real
Discount Rate	4.6%	2.1%
Salary Increases*	3.3%	0.8%
Price Inflation/Pension Increases	2.5%	0

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% per annum for 2010-11, 2011-12 and 2012-13 reverting to 5.3% per annum thereafter.

Mortality Assumptions

The Fund is member of Club Vita which provides bespoke set of longevity assumptions specifically tailored to the membership profile of the Fund. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

:

Mortality assumption at age 65	Male	Female
Current Pensioners	22.1 years	24.3 years
Future Pensioners (current age 45)	24.5 years	26.9 years

Please note that the assumptions have changed since the previous IAS26 disclosure for the Fund in accordance with those used for the recently completed 2013 Triennial valuation.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

19. Actuarial Present Value of Promised Retirement Benefits

Under IAS26 the Fund is required to disclose the actuarial present value of promised retirement benefits. These represent the present value of the whole fund liabilities to pay future retirement benefits.

The required valuation is carried out by the Hymans Robertson LLP using a similar approach to that employed for individual participating employers reporting pension liabilities under either FRS17 or IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities than the methodology employed at the triennial funding valuation.

Under the IAS 19/FRS17 basis reporting is produced using the same base data as the last completed funding valuation rolled forward to the latest reporting date, taking account of material changes in membership numbers and updating assumptions to the current year and requirements of the reporting approach.

In order to assess the value of the benefits on this basis, the Fund Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18).

	31 March 2013 £000s	31 March 2014 £000s
Actuarial present value of promised retirement benefits	3,563,000	3,729,000

The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

Assumptions Used	31 March 2013 %	31 March 2014 %
Inflation/Pension Increase Rate Assumption	2.8	2.8
Salary Increase Rate	5.1*	3.6
Discount Rate	4.5	4.3

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

20. Current Assets

	31 March 2013 £000s	31 March 2014 £000s
Cash In Hand		
Cash In Hand	**4,461**	**1,568**
Debtors:		
Contributions due - employees*	2,097	2,175
Contributions due - employers*	6,462	6,586
Employers special contributions	24	0
Augmentation & strain due	1,104	885
Dividends receivable**	5,772	5,335
Pooled funds rebate due**	1,190	1,302
UK tax receivable	225	172
Overseas tax receivable	662	688
VAT refund due	216	182
Interest due**	15	9
Stock lending/commission recapture**	13	17
Recharge of fees**	130	64
Prepayments	3	5
Sundry**	15	18
Debtors	**17,928**	**17,438**
Current Assets	**22,389**	**19,006**

* Principally represents amounts due in respect of March payrolls but payable the following month

** Cash and Debtors classed as financial instruments (assets) note 16a

	31 March 2013 £000s	31 March 2014 £000s
Long term debtors:		
Employers contributions	8,742	9,071
Augmentation & strain due	6	11
	8,748	**9,082**

Long term debtors comprises of amounts not due to be paid to the Fund for a period of more than 12 months from the balance sheet date.

Analysis of Debtors

	31 March 2013 £000s	31 March 2014 £000s
Central government bodies	9,608	9,866
Other local authorities	6,597	6,389
NHS Bodies	0	18
Other entities and individuals	10,471	10,247
	26,676	**26,520**

21. Current Liabilities

	31 March 2013 £000s	31 March 2014 £000s
Creditors:		
Transfer values payable (leavers)	28	0
Benefits payable	1,104	1,292
Investment Management Fees**	2,149	3,451
Other Fees & Charges**	1,804	2,000
UK Taxation payable	863	931
Sundry creditors**	3	11
	5,951	**7,685**

** Creditors classed as financial instruments (liabilities) note 16a

Analysis of Creditors

	31 March 2013 £000s	31 March 2014 £000s
Central government bodies	865	939
Other local authorities	1,721	1,869

	31 March 2013 £000s	31 March 2014 £000s
Other entities and individuals	3,365	4,877
	5,951	**7,685**

22. Additional Voluntary Contributions

The fund has three in-house AVC providers; Prudential, Clerical Medical and Equitable Life (a legacy arrangement that is not open to new contributors). The value of AVC investments and contributions paid directly to the providers by scheme employers during the year is shown below.

	Market Value 31 March 2013 £000s	Market Value 31 March 2014 £000s
Separately Invested AVC Funds	4,874	5,040

	2012-13 £000s	2013-14 £000s
AVC contributions paid directly during the year	311	352

23. Related Party Transactions

Norfolk County Council

The Fund is administered by Norfolk County Council. Consequently there is a close relationship between the council and the Fund.

The council incurred costs in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members in the pension fund.

	2012-13 £000s	2013-14 £000s
Norfolk County Council incurred administration and investment costs reimbursed by the fund	1,721	1,869
Norfolk County Council Employer Contributions	36,388	36,819

All monies owing to and due from the fund were paid within statutory timescales.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Norfolk County Council. The arrangement is managed through a service level agreement.

	2012-13 £000s	2013-14 £000s
Average investment balance held by NCC Treasury Management Operation	7,692	5,957
Interest earned on balances invested by NCC Treasury Management Operation	67	38

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting. These are recorded as part of the public record of each meeting.

Personnel Employed in the Delivery of the Pensions Function by the Administering Authority

All employees of Norfolk County Council (other than those whose profession grants them access to other public service schemes) may join the Local Government Pension Scheme. This includes personnel employed in delivering the pensions function through the Norfolk Pension Fund. Benefits are accrued and employee contributions calculated on a standard national, statutory basis.

Disclosure of senior officer remuneration is made in note 35 of the Statement of Accounts of the Administering Authority (Norfolk County Council). This disclosure includes the Head of Finance who has responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and holds the role of Fund Administrator.

24. Contractual Commitments

Outstanding Capital Commitments	31 March 2013 £000s	31 March 2014 £000s
Private equity partnerships	79,919	88,330
Property investment vehicles	8,058	9,150

At 31 March 2014 the Fund had made contractual commitments to private equity funds managed by SL Capital and HarbourVest Partners. Commitments are made in the underlying currency of the fund (Euros and US Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both on the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

The Fund's private equity programme is still relatively immature. The commitments are paid over the investment timeframe of the underlying partnerships. Concurrently as these partnerships mature they distribute capital back to investors.

The current value of the funded commitment net of distributions in these funds at 31March 2014 is included in the net asset statement.

In addition to the private equity commitments, within the Aviva property portfolio there are unfunded commitments to various property investment vehicles. This total includes Sterling, Euro and US Dollar denominated commitments to four (three in 2012-13) underlying funds. The foreign exchange exposure on the funded portion of these positions is hedged within the Aviva portfolio but the unfunded commitments are impacted by exchange rate volatility.

25. Contingent Assets

The Administering Authority holds charges on property, relating to funding agreements put in place with three employers following the 2010 Valuation. These agreements allow the employers to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. In the event that the employers that are party to these agreements fail to pay contributions due to the Fund at any point in the future these charges may be invoked. The total charges on two properties are £2.233 million (£2.232 million). There are no new agreements resulting from the 2013 Valuation.

26. Statement of Investment Principles and Funding Strategy Statement

The Norfolk Pension Fund has a published Statement of Investment Principles including details of our compliance with recognised good investment practices and a Funding Strategy Statement which is a summary of the Funds' approach to funding liabilities.

Both documents can be found on the Internet at the following location:

http://www.norfolkpensionfund.org/AboutUs/Pages/Formsandpublications.aspx

Alternatively a copy can be obtained from the Norfolk Pension Fund:

Norfolk Pension Fund
Floor 4 Lawrence House
5 St Andrews Hill
Norwich NR2 1AD
Telephone: 01603 222995

Participating Employers (employers with active members during the year)

Major Scheduled & Resolution Bodies

Borough Council of King's Lynn & West Norfolk
Breckland Council
Broadland District Council
Great Yarmouth Borough Council
Norfolk and Suffolk Probation Trust
Norfolk County Council
Norfolk Police and Crime Commissioner
North Norfolk District Council
Norwich City Council
NPS Property Consultants Ltd
South Norfolk District Council

Scheduled & Resolution Bodies

Acle Academy
Acle Parish Council
Admirals Academy
Arden Grove Infant and Nursery Academy
Attleborough High School Academy
Attleborough Town Council
Aylmerton Parish Council
Aylsham Town Council
Beighton Parish Council
Belton with Browston Parish Council
Blofield Parish Council
Bradwell Parish Council
Broads (2006) Internal Drainage Board
Broads Authority
Brundall Parish Council
Buxton With Lamas Parish Council
Cawston Parish Council
City Academy Norwich
City College Norwich
Cliff Park Ormiston Academy
Cliff Park Schools Trust Ltd
College of West Anglia
Costessey Infant School Academy
Costessey Junior School Academy
Costessey Parish Council
Cringleford Parish Council
Cromer Town Council
Dereham Town Council
Dersingham Parish Council
Diamond Academy
Diss High School Academy
Diss Town Council
Ditchingham Church of England Primary Academy
Downham & Stow Bardolph Internal Drainage Board
Downham Market Academy
Downham Market Town Council
East Norfolk Sixth Form College
East of Ouse, Polver & Nar Internal Drainage Board
Eastern Inshore Fisheries and Conservation Authority
Easton and Ottley College
Eaton Hall Specialist Academy
Fakenham Academy Norfolk
Fakenham Town Council
Flegg High School
Framingham Earl Parish Council
Great Yarmouth College of Further Education
Great Yarmouth Primary Academy
GYB Services Ltd
Hales & Heckingham Parish Council
Harling Parish Council
Heartease Primary Academy
Hellesdon High School Academy

Cromer Academy Trust
Hemblington Parish Council
Hethersett Academy
Hindolveston Parish Council
Hobart High School Academy
Holt Town Council
Hunstanton Town Council
Iceni Academy
Inspiration Trust
Kettlestone Parish Council
King's Lynn Academy
King's Lynn Internal Drainage Board
Little Snoring Parish Council
Loddon Parish Council
Lynn Grove High School Academy
Martham Parish Council
Martham School Trust
Mattishall Parish Council
Moorlands Church of England Primary Academy
Mundesley Parish Council
NCS (Assistive Technology)
NCS Transport Ltd
Nelson Academy
Norfolk Educational Services (NES)
Norfolk Rivers Internal Drainage Board
Norse Care Limited
Norse Care Services
Norse Commercial Services
Norse Eastern
North Walsham Town Council
Northrepps Parish Council
Norwich Norse
Norwich Primary Academy
Norwich Road Academy
Norwich University of the Arts
Notre Dame High School Academy
NPS Property Consultants Ltd
NPS (London) Ltd
NPS (Norwich) Ltd
NPS (South East) Ltd
NPS (South West) Ltd
Old Catton Parish Council
Hellesdon Parish Council
Open Academy - Heartsease
Ormiston Herman Academy
Ormiston Venture Academy
Ormiston Victory Academy
Paston College
Poringland Parish Council
Redenhall with Harleston town Council
Reepham High School and College
Saxlingham Nethergate Parish Council
Sheringham High School Academy
Sir Isaac Newton Free School
Snettisham Parish Council
South Wootton Parish council
Southery & District IDB
Spixworth Parish Council
Springwood High School Academy Trust
Sprowston Town Council
St Clements High School Academy
St Mary's Church of England Junior School Academy
Stalham Town Council
Suffolk Coastal Services
Swaffham Town Council
Swanton Morley Parish Council
Taverham High School
Taverham Parish Council
The Free School Norwich
The Nicholas Hamond Academy
Thetford Academy
Thetford Free School
Thetford Town Council
Thorpe St. Andrew Town Council
Trowse with Newton Parish Council
Upton with Fishley Parish Council
Wayland High School Academy
Wells-Next-The-Sea Town Council
Woodlands Primary Academy
Wymondham College Academy
Wymondham High Academy
Wymondham Town Council

Admitted Bodies

4Children
Action for Children (Dereham)
Action for Children (Hethersett)
Action for Children (Thorpe)
Action for Children (Wells)
Age UK Norfolk
Anglia Maintenance Services
Biffa Municipal Ltd
Childhood First
Circle Anglia Limited
Edwards and Blake
Edwards and Blake (Netherherd High)
Flagship Housing Group
Freebridge Community Housing Ltd
Great Yarmouth Community Trust
Great Yarmouth Port Authority
Great Yarmouth Port Company
Great Yarmouth Racecourse Ltd
Great Yarmouth Sport & Leisure Trust
Independence Matters
Kier Support Services
May Gurney Limited
Mid Norfolk Citizens Advice Bureau
New Anglia Enterprise Council Partnership (Local Enterprise Partnership)
Norfolk and Suffolk NHSFT
Norfolk Association of Local Councils
Norfolk Heritage Fleet Trust
Norwich Airport Limited
Pre School Learning Alliance (Hunstanton)
Pre School Learning Alliance (Milestones)
Pre School Learning Alliance (Thorpe)
RM Education
Saffron Housing Trust Limited
Serco Government Services
Stonham
The Matthew Project
Victory Housing Trust

Glossary of Terms

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

AMORTISATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible Long Term asset.

AMORTISED COST

This is cost that has been adjusted for amortisation.

AREA BASED GRANT (ABG)

This is a non-ringfenced general grant, with no conditions imposed as to how it may be used, paid by Central Government to County Councils and District Councils.

ASSET

An item owned by the Council which has a value, for example, premises, vehicles, equipment, cash.

ASSOCIATED COMPANIES

An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.).

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Local authorities are allowed to borrow to invest in capital works and assets so long as the cost of that borrowing is affordable and prudent. The Council borrows in the long term to finance capital expenditure an din the short term to smooth daily cash flow requirements. The principal source of borrowings in excess of one year (i.e. classified as long term borrowing) is the Public Works Loan Board.

BUDGET

The statement of the Council's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see revenue expenditure), and the Capital Budget plans for asset acquisitions and replacements (see capital expenditure).

CAPITAL EXPENDITURE

Expenditure on the acquisition of a Long Term asset, which lasts normally for more than one year, or expenditure, which adds to the life or value of an existing Long Term Assets.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPTS

Monies received for the sale of assets, some of which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by the Central Government.

CASH EQUIVALENTS

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (the Code)

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12: Based on International Financial Reporting Standards (the Code) aims to achieve consistent financial reporting between all English local authorities. It is based in generally accepted accounting standards and practices.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates. District Councils estimate the extent to which they will successfully collect Council Tax in their area. Any surplus or deficit is carried forward to the next financial year.

COMMUNITY ASSETS

Community assets are assets that the local authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal, e.g. Waxham Great Barn.

CONTINGENT LIABILITIES

Potential costs that the Council may incur in the future because of something that happened in the past.

CORPORATE AND DEMOCRATIC CORE (CDC)

Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

CREDITORS

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

CURRENT VALUE

This is the cost of an asset if bought in the current year.

DEBTORS

Sums of money due to the Council but not received at the end of the financial year.

DEDICATED SCHOOLS GRANT (DSG)

A specific grant paid to local authorities to fund the cost of running its schools.

DEFICIT

Arises when expenditure exceeds income or when expenditure exceeds available budget.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a Long Term asset.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The price at which we could buy or sell an asset in a transaction with another organisation, less any grants we receive towards buying or using that asset.

FINANCIAL ASSET

A right to future economic benefits.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset in one organisation and a financial liability in another.

FINANCIAL LIABILITY

An obligation to transfer economic benefits.

FINANCE AND OPERATING LEASE

A finance lease transfers all of the risks and rewards of ownership of a Long Term asset to the lessee. If these leases are used, the assets acquired have to be included within the Long Term assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service committee’s revenue account.

IFRS

International Financial Reporting Standards

LONG TERM ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

GOVERNMENT GRANTS

Grants paid by the Government. These can be for general expenditure or a particular service or initiative, e.g. School Standards Grant

HISTORIC COST

This is the cost of an asset when originally bought.

IAS19 RETIREMENT BENEFITS

This International Accounting Standard requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet but does not impact on council tax.

IMPAIRMENT

A reduction in the value of a Long Term asset to below its carrying amount on the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.

INFRASTRUCTURE ASSETS

Long Term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

Intangible assets are non-financial Long Term assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

An International Financial Reporting Standard (IFRS) is issued by the International Accounting Standards Board. All local authorities are required to report under IFRS.

INVENTORY

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENT PROPERTIES

Assets that the Council owns but are not used in the direct delivery of services, for example the Norwich Airport Industrial Estate.

LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) assists CIPFA in setting the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

LIABILITY

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

MARKET PRICE

This is the price at which another organisation is prepared to buy or sell an asset.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount, calculated in accordance with statutory guidance, that must be charged to the Council's revenue account each year in order to meet the costs of repaying amounts borrowed. This ensures that the Council makes a satisfactory annual provision for loan repayments.

NET BOOK VALUE

The amount at which Long Term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NATIONAL NON DOMESTIC RATES (NNDR)

The business rate in the pound is the same for all non domestic rate payers and is set annually by the Government. Income from business rates goes into a central Government pool, which is then distributed to local authorities according to resident population.

NON DISTRIBUTED COSTS

These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

NON OPERATIONAL ASSETS

Non operational assets are Long Term assets held by the Council but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

OPERATIONAL ASSET

Operational assets are Long Term assets (for example, land and buildings) held by the Council that are directly occupied or used in the delivery of services.

OUTTURN

The actual amount spent in the financial year.

PENSION FUND

A fund which makes pension payments on retirement of its participants.

PRIVATE FINANCE INITIATIVE (PFI)

A Government initiative that enables, through the provision of financial support, authorities to carry out capital projects through partnership with the private sector.

PRECEPTS

The income which the Council requires a District Council to raise on behalf of the County Council from Council Tax.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENTIAL CODE

The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing.

The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.

RESERVES

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. County Fund (General Balances) is available to meet future revenue and capital expenditure.

REVENUE EXPENDITURE AND INCOME

The expenditure includes day to day expenses, mainly salaries and wages, general running expenses and the minimum revenue provision cost. Revenue income includes charges made for goods and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Capital expenditure, which does not create a tangible asset, e.g. improvement, grants or expenditure on an asset not owned by the County Council, e.g. leased properties. Previously referred to as Deferred Charges.

REVENUE SUPPORT GRANT (RSG)

Central Government pays Revenue Support Grant to County Councils and District Councils in respect of local authority expenditure generally.

SERVICE REPORTING CODE OF PRACTICE (SeRCOP)

Provides guidance to local authorities on financial reporting to stakeholders. It establishes ‘proper accounting practice’ with regard to consistent financial reporting, which allows direct comparisons of financial information to be made with other local authorities.

SUBSIDIARY

An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)

SURPLUS

Arises when income exceeds expenditure or when expenditure is less than available budget.

VALUE ADDED TAX (VAT)

A tax on consumer expenditure, which is collected on business transactions at each stage in the supply, but which is ultimately borne by the final customer.

VARIATION

The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.

Norfolk County Council Summary Statement of Accounts 2013-14

The Council produces an annual Statement of Accounts (the accounts) which reports on the Council's financial performance and shows the assets and liabilities of the Council at the year end. The accounts, which are a statutory document conforming to the Code of Practice on Local Authority Accounting, are expected to receive an unqualified audit opinion on 30 September 2014.

This document is a summary of the full Statement of Accounts and gives a brief overview of the Council's financial performance and position for the year ending 31 March 2014. For this purpose it relates to the Council only and not the Group (which includes the Norse Group and Independence Matters). The full Statement of Accounts is prepared in accordance with international accounting standards, so to help make this summary easier to understand some of the presentation has been simplified.

Summary of the Authority's Financial Position for 2013-14

Norfolk County Council's approved revenue budget for 2013-14 was set at £641.6m. Actual expenditure in 2013-14 was £641.1m, which was £0.5m lower than the approved budget. This reflects final departmental underspends.

The Balance Sheet shows net assets of £317.7m after accounting for a liability for its defined benefit pension schemes of £867.0m.

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

The Council is facing a highly challenging financial period. A reduction of £13.7m in Formula Grant funding from Central Government during 2013-14 has led to some unavoidable reductions in services. In 2011-12, following the Council's largest ever public consultation, the Council set about reshaping its core role and services. The Council is now at the end of its three year programme of work to reshape the Council and help steer the organisation through the financial downturn, reduction in funding and continued increase in demand for services. In February 2013, the Council approved £51.5m savings of which £34.2m represented ongoing savings, in order to balance the 2013-14 budget. These savings were successfully delivered in the year and further savings of £69.3m have been approved for 2014-15.

An expanded introduction and summary to the accounts can be found in the Foreword to the full Statement of Accounts.

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

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

P. Timmins, CPFA, Interim Head of Finance,

Norfolk County Council, County Hall, Norwich NR1 2DW

Norfolk County Council Summary Statement of Accounts 2013-14

What we spent in 2013-14

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

	2013-14 Gross Expenditure £m	2013-14 Income £m	2013-14 Net Expenditure £m	2012-13 Net Expenditure £m (Restated)
Service Income and Expenditure				
Adult Social Care	388.0	98.4	289.6	282.6
Education and Children's Services	609.3	481.0	128.3	198.9
Highways and Transport Services	100.6	16.6	84.0	82.5
Fire and Rescue Services	34.8	2.4	32.4	30.4
Cultural, Environmental & Planning Services	92.8	16.9	75.9	82.6
Other Services, Corporate and Non Distributed Costs	2.9	1.7	1.2	1.7
Public Health	27.9	30.8	(2.9)	0
Total Cost of Services	**1,256.3**	**647.8**	**608.5**	**678.7**
Other Operating Income and Expenditure			**244.2**	**124.1**
Revenue Support and Unringfenced Grants (from Central Government)			(227.5)	(99.9)
Business Rates			(133.2)	(243.6)
Council Tax			(305.4)	(347.5)
Capital Grants and Contributions			(86.1)	(108.6)
Taxation and Non Specific Grant Income			**(755.2)**	**(799.6)**
(Surplus)/Deficit on the provision of services taken to General Fund			**100.5**	**3.2**

Year on Year Changes in Net Expenditure

The deficit on the provision of services in 2012-13 is a change of £97.3m when compared with the deficit in 2012-13. The main changes are:

- A specific reduction in revenue expenditure within Children's Services reflecting the transfer of a number of schools to academy status
- An increase in Other Operating Income and Expenditure reflecting the transfer of additional Schools' assets
- A reduction in funding from Central Government through Revenue Support and Business Rates

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

Impact on the General Fund

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

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

These costs are mainly associated with the depreciation of assets and the accrual of retirement benefits (the pension liability), which do not necessarily lead to cash flows in the short and medium term. Consequently, these costs are transferred to the Balance Sheet and replaced with the annual repayment of loans for capital expenditure and the employer's pension contribution. The impact of the resulting net adjustment to the General Fund Balance, which for 2013-14 is £93.8m, is shown in the Movement in Reserves Statement which is summarised below.

	£m
General Fund Balance at 31 March 2013	**22.7**
Deficit on the provision of services	(100.5)
Adjustments between accounting basis and funding basis under regulations	93.8
Balance before transfer to earmarked reserves	**16.0**
Transfers to earmarked reserves	1.3
General Fund Balance at 31 March 2014	**17.3**

Earmarked reserves are amounts set aside by the Council to meet specific future spending requirements. There are over 40 earmarked reserves totalling £139.8m at 31 March 2014. The largest reserve is the LMS account, which represents £26.5m net accumulated unspent surpluses or deficits held by schools which are not available to the Council for general use. Other large reserves include the Residual Waste Treatment Contract Reserve relating to potential termination costs associated with the Willows Energy from Waste PFI scheme and monies set aside for highways maintenance and information technology projects. The £1.3m net transfer shown above is the sum of net transfers to and from all the earmarked reserves during the year.

The financial statements to 31 March 2014 have been prepared on the basis that the Willows Energy from Waste contract would proceed, while acknowledging the uncertainty that existed at the time. The County Council resolved to terminate the contract on 7 April 2014. At 31 March 2014 there was no legal or constructive obligation to terminate the contract. As a result, the possibility of termination which existed at 31 March due to planning uncertainties has been treated as a contingent liability. At 31 March 2014, £19m had been transferred to the Residual Waste Treatment Contract Reserve. The reserve was increased to £33.7m as part of the 2014-15 budget planning process. Details showing the movements in and out of each reserve, and a narrative explaining the purpose of each reserve can be found in note 9 to the full Statement of Accounts.

Norfolk County Council Summary Statement of Accounts 2013-14

The County Council's Balance Sheet as at 31 March 2014

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

	31 March 2014 £m	31 March 2013 (Restated) £m
Land, buildings, vehicles, equipment and infrastructure	1598.2	1,632.4
Inventories	0.5	1.6
Cash and bank balances	49.5	70.1
Investments	166.4	173.5
Money owed to the Council		
Within 12 months	118.7	74.3
After 12 months	12.1	7.5
Less: Money owed by the Council		
Within 12 months	(158.4)	(151.3)
After 12 months	(602.3)	(612.1)
Net Assets before Pension Adjustment	**1,184.7**	**1,196.0**
Less: Pension Liability	(867.0)	(823.5)
Net Assets	**317.7**	**372.5**
Financed by:		
Cash backed (usable) reserves	238.6	237.4
Non cash backed (unusable) reserves	946.1	958.6
Financing before Pension Adjustment	**1,184.7**	**1,196.0**
Less: Pension Liability Reserve	(867.0)	(823.5)
Total Reserves	**317.7**	**372.5**

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

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

The Pension Liability in the table above is a snapshot as at 31 March 2014 of the unfunded pension liability calculated in accordance with statutory regulations in relation to existing and former employees. Because these pension costs do not have to be met in full in the short term, they are offset by a notional Pension Liability Reserve.

Capital Investment 2013-14

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

In 2013-14, £115.5m was spent on the capital investment programme against a programme of £117.9m. The underspend of £2.4m represents planned expenditure, which is being carried forward to the next financial year

Capital expenditure during 2013-14 included the following major projects:

		£m
Children's Services	Academy Funding	9.6
	Basic Need & Capacity Development	8.4
	Capital Maintenance	6.0
	School based projects	5.3
	ICT Schemes	2.0
	Social Care	1.6
	Carbon Reduction Schemes	1.1
	Other Schemes	4.4
Environment, Transport and Development	Structural Maintenance	24.7
	Highways Improvements	20.3
	Other Schemes	1.7
Adult Social Services		3.3
Corporate Resources		7.1
Fire Service		2.9
Cultural, Environmental and Planning Services		17.1
Total capital expenditure		**115.5**
Funded by:		
Prudential borrowing		12.4
Capital grants and contributions		81.6
Capital receipts		6.4
Contribution from revenue and reserves		15.1
Total		**115.5**

Note: Highways improvements include schemes for road improvements, bridge strengthening, bus priority schemes, park and ride and cycle routes.

In addition to the figures shown above there was expenditure of £0.3m on finance leases.

Audit Committee

Item No 7

Report title:	**Letters of Representation 2013-14**
Date of meeting:	**25 September 2014**
Responsible Chief Officer:	**Head of Finance (Interim)**
Strategic impact This report provides details of the letters of representation in connection with the audit of the financial statements of Norfolk County Council for 2013-14.	

Executive summary

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

The Interim Head of Finance has, following consultation with Departmental Chief Officers, written the letters in accordance with audit requirements. One letter covers the Norfolk County Council statement of accounts and is attached as an appendix to this report. The second letter covers the Norfolk Pension Fund only and any amendments following consideration by the Norfolk Pensions Committee on 23 September will be tabled.

The letters are dated 30 September 2014, which is the date Ernst and Young expects to issue its opinion.

The auditors require that the letters are signed by persons with specific responsibility for the financial statements, which for this Council is the Head of Finance, and formally acknowledged as being correct by "those charged with governance" by being signed by the Chairman of the Audit Committee in the case of the Norfolk County Council letter, and by the Chairman of the Pensions Committee in respect of the Pension Fund. Council has delegated responsibility for approving the Statement of Accounts and endorsing the letters of representation to the Audit Committee.

Recommendations

The Audit Committee is requested to endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council, and that the Chairman of the Audit Committee and Interim Head of Finance sign the letter attached on behalf of the Council.

1. Introduction

This report introduces the letters of representation of Norfolk County Council and of Norfolk Pension Fund for 2013-14.

2. Evidence

The following appendices are attached:

- Appendix 1: Letter of Representation for the Council
- Appendix 2: Letter of Representation for the Norfolk Pension Fund

3. Financial Implications

3.1 The Letter of Representation is part of the External Auditing requirements for the 2013-14 Statement of Accounts.

4. Issues, risks and innovation

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

5. Background

5.1 The Statement of Accounts report appears elsewhere on this agenda.

Officer Contact

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

Name	Telephone Number	Email address
Peter Timmins	01603 222400	peter.timmins@norfolk.gov.uk
Howard Jones	01603 222832	howard.jones@norfolk.gov.uk

IN TRAN communication for all

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

Appendix 1

Letter of Representation (Norfolk County Council) 2013-14

Finance Department
County Hall
Martineau Lane
Norwich
NR1 2DW

My Ref: audit letter of rep
Your Ref: .

Please ask for: Howard Jones
Direct Dialling Number: 01603 222832
Fax Number: 01603 222811
Email: howard.jones@norfolk.gov.uk

30 September 2014

Mr R Murray
Ernst and Young
One Cambridge Business Park
Cambridge
CB4 0WZ

This representation letter is provided in connection with your audit of the consolidated and parent financial statements of Norfolk County Council (the Group and Council) for the year ended 31 March 2014. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and Council financial position of Norfolk County Council as of 31 March 2014 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities under the relevant statutory authorities for the preparation of the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

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 2013-14 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 consolidated and council financial statements are appropriately described in the consolidated and council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14, that are free from material misstatement, whether due to fraud or error.

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

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group and Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.

- Additional information that you have requested from us for the purpose of the audit and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have made available to you all agendas and minutes of the meetings of the Council and its committees held through the financial year and during the year to date.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We have disclosed to you, and the group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

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

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

C. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 48 to the consolidated and council financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than
   - the disposal of schools transferring to Academy Status; and
   - the Council's resolution to terminate an Energy from Waste contract on 7 April 2014

   both of which are described in Note 6 to the council's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Group Audits

1. Necessary adjustments have been made to eliminate all material intra-group transactions amongst parent, subsidiary undertakings and associated undertakings.

I. 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.

Yours faithfully

P. Timmins, Interim Head of Finance

I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 25 September 2014

I.J. Mackie

Chairman of Norfolk County Council Audit Committee

Appendix 2

Letter of Representation (Norfolk Pension Fund) 2013-14
To be noted

Please contact	Robert Mayes
Address	Norfolk Pension Fund 4th Floor Lawrence House 5 St Andrews Hill Norwich NR2 1AD
Email	robert.mayes@norfolk.gov.uk
Telephone	01603 222870

30th September 2014

Peter O'Neill
Ernst & Young
Apex Plaza
Forbury Road
Reading
RG1 1YE

This representation letter is provided in connection with your audit of the financial statements of Norfolk Pension Fund ("the Pension Fund") for the year ended 31 March 2014*.* We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014*,* and of the amount and disposition at the end of the year of its assets and liabilities, in accordance with applicable law and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14**.**

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with Accounts and Audit (England) Regulations 2011 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the

United Kingdom 2013/14 and for keeping records in respect of contributions received in respect of active members of the Pension Fund and for making accurate representations to you.

2. We confirm that the Pension Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Pension Fund should change.

3. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above show a true and fair view of the financial position and the financial performance of the Pension Fund in accordance with Accounts and Audit (England) Regulations 2011 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14*,* and are free of material misstatements, including omissions. We have approved the financial statements.

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

5. We believe that the Pension Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with Accounts and Audit (England) Regulations 2011 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 that are free from material misstatement, whether due to fraud or error.

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

B. Fraud

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

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

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

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

2. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

3. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions, or any other matters that have arisen, which we considered reporting to the Pensions Regulator.

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

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

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

4. We have made available to you all minutes of the Norfolk Pension Fund Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year.

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

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

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

E. Liabilities and Contingencies

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

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

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 18 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Advisory Reports

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

H. Independence

We confirm that no trustee of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Actuarial valuation

The latest report of the actuary Hymans Robertson as at 31 March 2013 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his/her report.

J. Accounting Estimates

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

2. Accounting estimates recognised or disclosed in the financial statements:
    - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
    - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
    - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

K. Investment managers' control reports ISAE 3402

The latest reports available do not cover the whole of the 2013/14 audit year. We can confirm that we are not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours Faithfully,

____

Head of Finance

I confirm that this letter has been discussed and agreed at the Pension Committee on 23 September 2014

____

Vice Chairman of Pension Committee

Audit Committee

Item No 8

Report title:	**Norfolk Pension Fund Governance Arrangements**
Date of meeting:	**25 September 2014**
Responsible Chief Officer:	**Interim Head of Finance and Head of Pensions**

Strategic impact

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

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

Executive summary

Recommendation:

The Audit Committee is requested to consider this report which details to the Committee, Norfolk Pension Fund's governance arrangements.

1. Proposal (or options)

1.1 Recommendation:

The Audit Committee is requested to consider and comment on this report which provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements of the Norfolk Pension Fund.

1.2 The Head of Pensions has been consulted in the preparation of this report.

2. Evidence

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

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

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

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

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

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

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

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

2.5 Under Regulations 73A(1)(c) of The Local Government Pension Scheme regulations 1997 and 31(3)(c) of The local Government Pension Scheme (Administration) Regulations 2008, LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of best practise principles on scheme governance and stewardship. These principles are set out in statutory guidance issued by DCLG.

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

2.7 The latest version of the Pension Funds Governance Statement (November 2013) which details roles and responsibilities in relation to the Fund is at Appendix A. The Statement is also available on the pension fund website, www.norfolkpensionfund.org

2.8 The Funds ‘Governance Compliance Statement’ (which measures compliance against best practise guidelines) is at Appendix B. Norfolk Pension Fund is fully compliant with the principles as set out in the statutory guidance.

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

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

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

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

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

2.10 The Public Service Pensions Act 2013, included several key provisions relating to the administration and governance of public service pension schemes including the LGPS. A key aim of the reform process is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

The Act brings in the requirement for a National Scheme Advisory Board and local Pensions Boards within the LGPS and also sets out responsibilities within the public service schemes for The Pensions Regulator. Under the regulations each LGPS Administering Authority is required to establish a local Pension Board by 1 April 2015.

3. Financial Implications

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

4. Issues, risks and innovation

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

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

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

4.4 **Other resource implications**

There were no other resource implications arising from this report.

4.5 **Legal implications**

There were no legal implications arising from this report

4.6 **Risk implications**

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

4.7 **Equality implications**

There were equality implications arising from this report

4.8 **Human rights implications**

There were no human rights implications arising from this report.

4.9 **Environmental implications**

There were no environmental implications arising from this report.

4.10 **Health and safety**

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

5. Background

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

5.2 In Norfolk the LGPS is administered by Norfolk County Council (NCC) and delivered through the Norfolk Pension Fund. The Fund is a multi-employer arrangement which currently has 181 active contributing employers.

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

Officer Contact

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

Officer Name: Nicola Mark - Head of Pensions

Tel No: 01603 222171

Email address: Nicola.mark@norfolk.gov.uk

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

Norfolk Pension Fund

This document sets out the Governance arrangements for the Norfolk Pension Fund as at November 2013

Governance Statement 2013

Administering Authority

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

- Norfolk County Council has delegated its pensions functions to the Pensions Committee
- Norfolk County Council has delegated responsibility for the administration and financial accounting of the Pension Fund to the Head of Finance

Pensions Committee

The Pensions Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pensions Committee meets quarterly in order to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary

Pensions Committee Trustees*

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

Pensions Committee Membership

There are 8# members of the Pensions Committee:

	Norfolk County Councillor	James Joyce
	Norfolk County Councillor	Steve Morphew
	Norfolk County Councillor	David Ramsbotham
	Norfolk County Councillor	Martin Storey
	Norfolk County Councillor	Judith Virgo
	Two District Councillors (elected by the Local Government Association)	John Fuller Alan Waters
	Staff Representative	Steve Aspin
	Observer #	Open to all participating Employers
Other attendees	Administrator of the Fund (NCC Interim Head of Finance)	Peter Timmins
	Head of the Norfolk Pension Fund	Nicola Mark
	Investment Advisor to the Fund (Hymans Robertson)	Ronnie Bowie / Scott Donaldson

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

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

Head of Finance

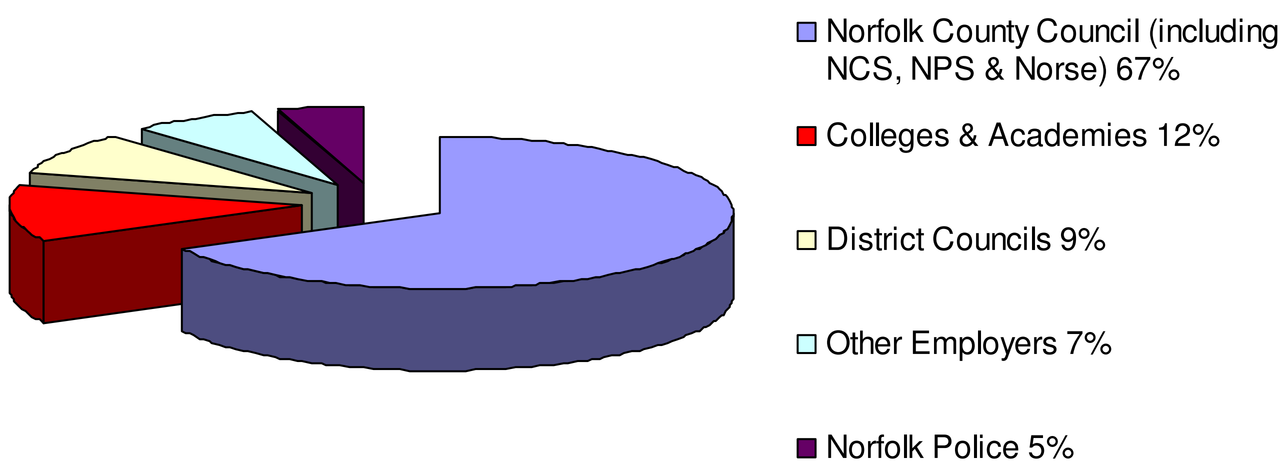
- The Head of Finance is Norfolk County Council's Chief Finance Officer and Section 151 Officer
- As Administrator of the Fund he is responsible for:
    - The administration and financial accounting of the Fund
    - The preparation of the Pension Fund Annual Statement of Accounts

Legislation and Regulations

- The Norfolk Pension Fund administers the Local Government Pension Scheme (LGPS) in Norfolk and is governed by the:
    - Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
    - Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
    - Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
    - Local Government Pension Scheme (Management and Investment of funds) Regulations 2009, and subsequent amendments
- Pensions Committee is governed by Norfolk County Council's procedural rules under the Council's Constitution. The Committee's Terms of Reference are:
- "To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the scheme, and on behalf of NCC as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:
    - Functions relating to local government pensions etc under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972
    - To receive and consider the draft Financial Statements of the Norfolk Pension Fund
    - To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved"
- Financial affairs are conducted in compliance with Norfolk County Council's Financial Regulations
- Funds are invested in compliance with the Norfolk Pension Fund's Statement of Investment Principles

Membership of the Fund and Local Accountability

Active Membership breakdown by Employer
as at 31 March 2013



Local Accountability - Representation

- Five Norfolk County Councillors
- Two District Councillors, elected by the Norfolk Local Government Association
- No specific representation but work through the Employer's Forum
- No specific representation but work through the Employer's Forum
- No specific representation but work through the Employer's Forum

Membership as at 31 March 2013

152 Employers

19,851 Pensioners
(members in receipt of a pension from the Fund)

26,439 Active Members
(members who are currently in the employment of a participating employer)

24,535 Deferred members
(members who have left the employment of a participating employer, but who are not yet in receipt of their pension)

Local Accountability - Transparency

- The Fund is committed to providing clear, relevant, accessible and timely information to all stakeholders
- How it does this is set out in the annually updated Customer Care and Communication Strategy Statement. This is on our website:

  www.norfolkpensionfund.org

- Pensions Committee reports, agendas and minutes are published on the Norfolk County Council website:

  www.norfolk.gov.uk

- Pensions Committee meetings are open to the public
- The Annual Pension Fund Report and Accounts, reporting on the activities and investment performance of the Fund, are on our website:

  www.norfolkpensionfund.org

- Payments over £500 are published on the Norfolk County Council website:

  www.norfolk.gov.uk/Council_and_Democracy/Open_data

- Extracts from the Annual Report and instructions on viewing the whole document are included in the Annual Benefit Statement sent to all scheme members, and in Primetime, the annual magazine sent to all retired members
- All scheme members and employers are invited to an Annual Meeting
- All employers and members of the Pensions Committee are invited to the Employers Forum, held twice a year. This is an opportunity for employers to discuss matters of interest to their organisations with officers and members

Local Accountability - Administration

Contact us

The Norfolk Pension Fund
4/5th floor
Lawrence House
5 St Andrews Hill
Norwich NR2 1AD

Telephone 01603 495923
Fax 01603 495795
Email pensions@norfolk.gov.uk
Online www.norfolkpensionfund.org

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The Norfolk Pension Fund
Governance Compliance Statement as at August 2014
Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
Regulation 31

Principle A – Structure

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

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

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

c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
There is no formal secondary committee or panel. Regular employers' forums and other activities detailed within the communication strategy ensure effective communication.

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

Principle B – Representation

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

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

i Employing authorities (including non scheme employers, e.g. admitted bodies)
Two district councillors elected by the Local Government Association represent the largest group of employers. An additional observer is seat available to all other employers.

ii Scheme members (including deferred and pensioner scheme members)
Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting.

iii Independent professional observers
Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee.

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

Principle C – Selection and role of lay members

	Not compliant*				Fully compliant
a					√
b					√

a That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.
In addition to general Councillor Induction for newly elected members, Pensions Committee members are briefed on appointment to Pensions Committee by the Head of Pensions. Other elected members who do not sit on Pensions Committee are briefed as required / requested.

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

Principle D – Voting

	Not compliant*				Fully compliant
a					√

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

Principle E – Training / facility time / expenses

	Not compliant*				Fully compliant
a					√
b					√
c					√

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

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

c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
Committee member training needs are considered alongside the 12 month committee agenda planning process. However training is business driven, and therefore the programme is flexible. This allows us to align training most effectively with operational need / current agenda items, and therefore support member decision making. Member training is supplemented by attending LGE and other associated events, as well as an annual comprehensive 2 day bespoke Knowledge and Understanding event, talking to leading experts about all aspects of LGPS Investment and Governance and current issues, e.g. in 2012 and 2013 this included meeting the Funds Actuary, Hymans Robertson, to discuss the outlook for the 2013 valuation; Nomura to discuss transition management; Fidelity regarding corporate governance and stakeholder responsibilities; Goldman Sachs to discuss 'excellence in pensions'; Hendersons for an overview of

fixed interest investing; and DCLG to discuss LGPS 2014 and other issues. A Training Log is maintained.

Principle F – Meetings (frequency / quorum)

	Not compliant*				Fully compliant
a					√
b					√
c					√

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

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

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

Principle G – Access

	Not compliant*				Fully compliant
a					√

a That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
All committee members have equal access to committee papers, documents and advice. Minutes of Committee Meetings are published on Norfolk County Councils website www.norfolk.gov.uk .

Principle H – Scope

	Not compliant*				Fully compliant
a					√

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

Principle I – Publicity

	Not compliant*				Fully compliant
a					√

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

Audit Committee

Item No 9

Report title:	**Governance, Control and Risk Management of Treasury Management**
Date of meeting:	**25 September 2014**
Responsible Chief Officer:	**Interim Head of Finance**

Strategic impact

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

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

Executive summary

Recommendation:

The Audit Committee is requested to consider and comment on this report which provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management during 2013-14.

1. Proposal (or options)

1.1 Recommendation:

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

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

2. Evidence

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

2.2 This report provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management during 2013-14.

2.3 During financial year 2013-14, the County Council met the reporting requirements of the CIPFA Treasury Management Code by receiving:

- an annual treasury strategy in advance of the year (County Council 18th February 2013)
- a mid-year treasury update report (County Council 20th January 2014)
- annual report following the year-end describing activity (County Council 21st July 2014).

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

2.4 The County Council has integrated the governance requirements of the CIPFA Treasury Management Code and the Government's Investment Guidelines into a single report. 'The Annual Investment and Treasury Strategy 2013-14' was presented to the then Cabinet and Council in January and February 2013 at the same time as the County Council's annual budget proposals. Prior to consideration by Cabinet, the Strategy was examined in detail by the then Treasury Management Panel.

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

2.6 A mid year monitoring report on treasury activities was also produced for the then Cabinet and Council and like the Strategy report was considered in detail by the Treasury Management Panel.

2.7 After financial year-end, an annual report was produced. The 'Annual Treasury Management Report 2013-14' was presented to the Policy and Resources Committee and the County Council in July 2014.

2.8 The Annual Report reviewed treasury activities undertaken in the previous 12 months (April 2013 to March 2014) and contained details of performance against key treasury management indicators and budgets. It also provided confirmation that all monies invested during the year was in accordance with the approved investment criteria.

2.9 In addition, throughout 2013-14, the then Cabinet and the Treasury Management Panel received regular treasury management performance monitoring reports. These reports provided performance information in relation to key treasury management indicators such as cash not invested at the end of each working day, investment return and interest earned to date.

2.10 During the 2013-14, the Treasury Management Panel provided robust scrutiny of treasury activity. Reports to Cabinet amended to incorporate comments or views expressed by the Panel, with other action being pursued by officers and reported back to Panel members. There are no outstanding actions/recommendations from meetings of the Panel during 2013-14.

2.11 The Policy and Resources Committee received an Annual Treasury Management Report for 2013-14 at its July 2014 meeting (item 8, page 62). The report included; Investment Activity, Long Term Borrowing and Debt Management Activity, Treasury Management Benchmarking, Leasing Activity and Corporate Banking Services. At the same meeting a 2014-15 Revenue Monitoring report for month two included Treasury Management Performance Monitoring information, at Appendix 9 (Item 9, page 96).

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

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

2.14 In order to assist and support Ernst & Young's audit of the 2013-14 Statement of Accounts, Norfolk Audit Services (NAS) undertook the detailed testing of key controls on a sample of transactions. NAS concluded that there were no areas where the expected key controls were absent or failing.

2.15 Transaction testing of key controls is supplemented by a triennial full internal audit review. An annual audit will also be undertaken if significant changes to systems or processes are identified. A full triennial internal audit review was undertaken as part of the 2013-14 annual audit plan. No findings were reported.

3. Financial Implications

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

4. Issues, risks and innovation

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

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

4.3. **Other resource implications**

There were no other resource implications arising from this report.

4.4. **Legal implications**

There were no legal implications arising from this report.

4.5. **Risk implications**

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

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

4.6. **Equality implications**

There were no equality implications arising from this report.

4.7. **Human rights implications**

There were no human rights implications arising from this report.

4.8. **Environmental implications**

There were no environmental implications arising from this report.

4.9. **Health and safety**

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

5. Background

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

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

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

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

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

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

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

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

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

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

- Monitor recovery of the Councils Icelandic investments.

- Consider and comment on the draft Annual Investment and Treasury Strategy prior to its submission to Cabinet and full Council.

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

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

- Consider the draft Treasury Management Annual Report prior to its submission to Cabinet and full Council.

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

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

Officer Contact

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

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

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Audit Committee

Item No. 10

Report title:	**Risk Management report (2nd Quarter 2014/15)**
Date of meeting:	**25 September 2014**
Responsible Chief Officer:	**Head of Finance (Interim)**

Strategic impact

Monitoring risk management and the corporate risk register helps the committee undertake some of its key responsibilities and provides contextual information for many of the decisions that are taken.

Executive summary

This report provides the Committee with an update of the Corporate Risk Register and other related matters following the latest quarterly review conducted during the second quarter of 2014/145.

The update includes details of twenty-one risks proposed for inclusion within the Corporate Risk Register. Risks are where events may impact on the County Council achieving its objectives.

Recommendations:

Committee Members are asked to:

1. **note the changes to the risk register**
2. **comment on the twenty-one corporate risks and add, amend or remove any risks as appropriate**
3. **consider if any further action is required**

1. Proposal (or options)

1.1. Recommendations :

1. note the changes to the risk register
2. comment on the twenty-one corporate risks and add, amend or remove any risks as appropriate
3. consider if any further action is required

1.2. The Chief Officer Group has been consulted in the preparation of this report.

2. Evidence

2.1. The Corporate Risk Register lists the key business risks that require strong management at a corporate level and which, if not managed appropriately, could result in the County Council failing to achieve one or more of its key objectives and/or suffer a significant financial loss or reputational damage. All risks listed have been reviewed and updated, as appropriate.

2.2. Following the most recent report to Audit Committee in June 2014 a review of the existing risks, as well as any new risks proposed for inclusion in the Corporate Risk Register, has taken place with the officers responsible and this has then been considered by COG. This report is based on the outcome of that review

2.3. Appendix 1 contains a copy of the full risk register as at 1 September 2014 2014.

2.4. Appendix 2 contains a summary of the proposed updated full Corporate Risk Register as at 1 September 2014.

2.5. In total, it is recommended that twenty-one risks are included on the Corporate Risk Register. The June Audit Committee reviewed twenty risks on the corporate risk register.

2.6. Within the constraints of the target date (which provides a time-frame for the risk) and using the Generic Risk Impact Criteria Model and Likelihood Criteria Model the three risk scores can be determined. Each risk score is expressed as a multiple of the impact and the likelihood of the event occurring.

- Inherent risk score – the level of risk exposure before any action is taken to reduce the risk
- Current risk score – the level of risk exposure at the time the risk is reviewed by the risk owner, taking into consideration the progress of the mitigation tasks
- Target risk score – the level of risk exposure that we are prepared to tolerate following completion of all the mitigation tasks.

2.7. In accordance with the Risk Matrix and Risk Tolerance Level set out within the current Norfolk County Council “Well Managed Risk - Management of Risk Framework three risks are reported as “High” (risk score 16–25), seventeen as “Medium” (risk score 6–15) and one as “Low” (risk score 1-5).

2.8. The three risks with a current “High” risk score are as follows:

- RM13906 “Looked After Children overspends” this is a high risk because increased funding for LAC will result in reduced funding elsewhere.
- RM14079 “Failure to meet the long term needs of older people” remains a high risk because of the increasing demand for the service.
- RM13968 “Failure to follow data protection procedures”, following further breaches.

2.9. The prospects of meeting target scores by the target dates are a reflection of how well mitigation tasks are controlling the risk. The contents of this cell act as an early warning indicator that there may be concerns when the prospect is shown as amber or red. In these cases, further investigation may be required to determine the factors that have caused the risk owner to consider the target may not be met. It is also an early indication that additional resources and tasks or escalation may be required to ensure that the risk can meet the target score by the target date. The position is visually displayed for ease in the "Prospects of meeting the target score by the target date" column as follows:

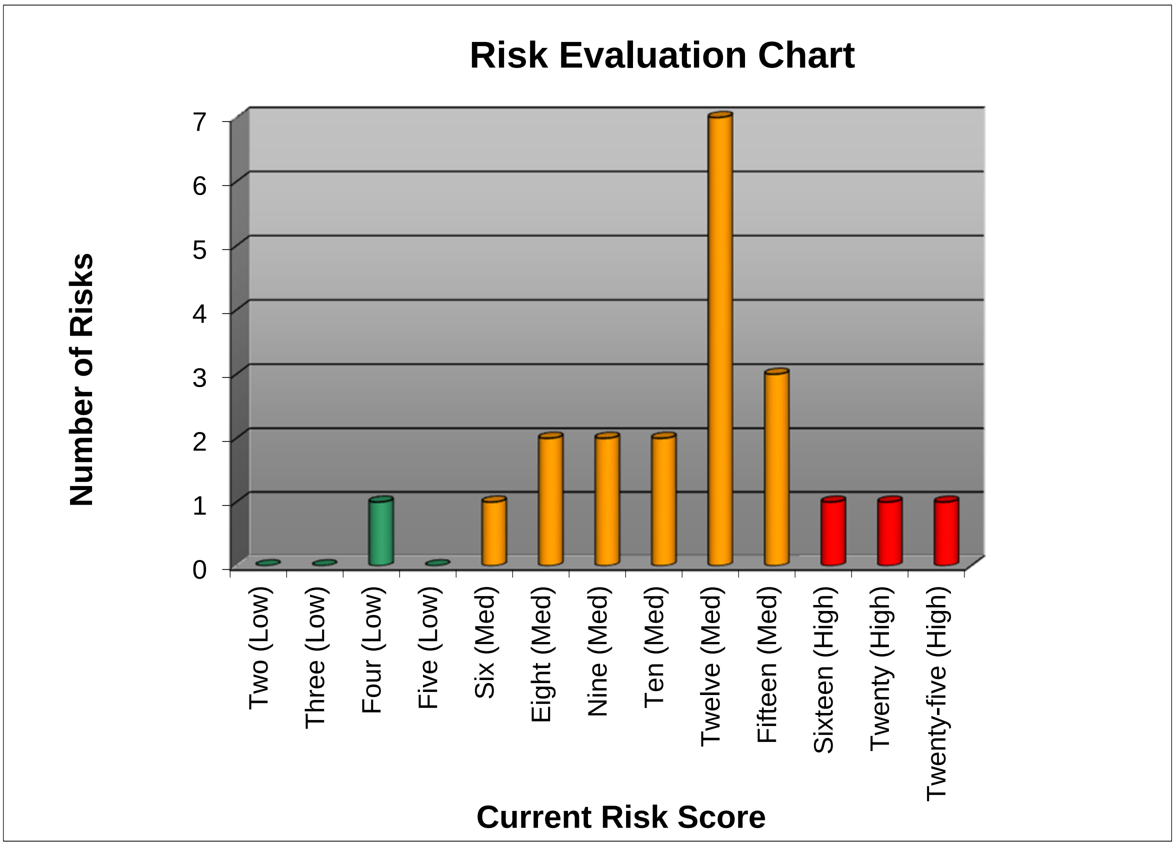
- Green – the mitigation tasks are on schedule and the risk owner considers that the target score is achievable by the target date

- Amber – one or more of the mitigation tasks are falling behind and there are some concerns that the target score may not be achievable by the target date unless the shortcomings are addressed

- Red – significant mitigation tasks are falling behind and there are serious concerns that the target score will not be achieved by the target date and the shortcomings must be addresses and/or new tasks are introduced.

2.10. Risk owners have considered whether the risk will meet the target score by the target date. Eleven risks are assessed as "Amber– some concerns" that targets may not be met, and eight are assessed as "Green - on schedule" to meet their target. Two risks are new to the register and no progress is reported as yet.

2.11. The current scores of the twenty-one risks are illustrated by the chart below.



2.12. **Significant changes to the risk register**

Since the last review by Audit Committee, three risks have been removed and three risks have been added to the risk register, the changes are as follows:

Risks removed.

- Risk RM14113 “Failure in the delivery of the Willows Power and recycling Centre”. This is removed because the plant will not be constructed and a new risk has been added to the register to cover the financial implications of the termination.

- Risk RM14094 “Failure to deliver planned budget savings 2013/14” the accounts have been closed and audited.

- Risk RM14154 “Introduction of the committee system” This is removed because the progress to mitigate the risk has been completed and the committee system is in place.

Risks added.

- Risk RM14173 “Failure to establish a waste management strategy and associated policies”. Failure to develop a strategy and policies could lead to a requirement to use emergency powers to fulfil the Council’s role as the Waste Disposal Authority for Norfolk.

- Risk RM14183 “Loss of internet connection and the ability to communicate with Cloud provided services”. As the organisation becomes more reliant on the internet the loss of access to the internet will result in an inability to deliver IT based services.

- Risk RM14184 “Successful cyber attack”. Although the current infrastructure can withstand cyber attacks the threat is constantly present and under review continuously.

2.13. **Significant changes to the risk register**

Since the last review by Audit Committee, two risks have had the current risk score increased, the risk is as follows:

Current risk scores increased.

- The current risk score for risk RM14147 “Failure to improve at the required pace” has been increased from 5 (likelihood 1 x impact 4) to 10 (likelihood 2 x impact 5). This is to reflect the need to develop further strategic planning around the improvement process.

- The current risk score for risk RM13968 “Failure to follow data protection procedures”. Has increased from 12 (likelihood 3 x impact 4) to 20 (likelihood 4 x impact 5). This is to reflect the on-going investigations into recent DP breaches within Children’s Services. Further mitigation is being implemented at this time.

3. Financial Implications

3.1. There are no financial implications other than those identified within the risk register.

4. Issues, risks and innovation

4.1. There are no further risks than those described elsewhere in this report.

5. Background

5.1. Appendix 1 contains a copy of the full risk register as at 1 September 2014 2014.

5.2. Appendix 2 contains a summary of the proposed updated full Corporate Risk Register as at 1 September 2014.

5.3. The review of existing risks has been completed with responsible officers and has been reviewed by COG.

5.4. There remains a strong corporate commitment to the management of risk and appropriately managing risk, particularly during periods of organisational change, such as the accelerated programme to deliver all the elements of the vision for the County Council.

5.5. An on-going clear focus on strong risk management is necessary as it provides an essential tool to ensure the successful delivery of our strategic and operational objectives.

Officer Contact

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

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Email address : steve.rayner@norfolk.gov.uk

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Risk Register - Norfolk County Council - Appendix 1

Risk Register Name	**Corporate Risk Register**		Red
Prepared by	**Steve Rayner**	High	Amber
Date updated	**August 2014**	Med	Green
Next update due	**December 2014**	Low	Met

CDGSTP	Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Inherent Likelihood	Inherent Impact	Inherent Risk Score	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
C	Children's Services *(Children's Services Committee)*	RM14147	Failure to improve at the required pace.	CS Teams do not show the improved performance at the speed which is acceptable to DfE and Ofsted.	01/12/2013	2	5	10	2	5	10	Additional capacity in leadership and management in place with 'grow our own' model for sustaining social worker capacity in place. Additional social worker capacity in place. Robust and systematic performance management structures and processes established and beginning to embed. Strategic Improvement Planning needed.	Recent Eastern Region Peer Safeguarding Health check and DfE commissioned Strategic Review have concluded that there is good evidence of improvement and capacity to sustain the improvement trajectory. Date set for the Strategic Improvement Planning with key partners.	1	4	4	31/01/2016	Green	Sheila Lock	Helen Wetherall	26/08/2014
C	Children's Services *(Children's Services Committee)*	RM14148	Overreliance on interim capacity	Overreliance on interim capacity at leadership and management levels and in social worker teams leads to unsustainable performance improvement.	01/12/2013	4	5	20	3	5	15	Succession Planning. Skills and knowledge transfer from interim to permanent staff in place and showing positive impact. Need for permanent replacement to interim team.	Succession planning begun. Soft market testing being carried out. Skills and knowledge transfer to full time permanent staff taking place although not yet embedded. Norfolk Institute of Professional Excellence (NIPE) plans progressing well. Public Private Partnership to run for one year specifically to address Assessment processes.	2	4	8	30/06/2015	Amber	Sheila Lock	Helen Wetherall	26/08/2014
C	Children's Services *(Children's Services Committee)*	RM13906	Looked After Children overspends	That the Looked After Children's budget could result in significant overspends that will need to be funded from elsewhere within Children's Services or other parts of Norfolk County Council	18/05/2011	4	4	16	4	4	16	LAC Reduction Strategy agreed by CSLT and being applied. LAC Panel now in place, chaired by DCS. Target reunification given to all LAC Teams and IRO's	Strategy agreed and implementation underway. LAC population to reduce by 100 by December 2014 and further target reductions to be agreed by CSLT in January 2015.	2	4	8	30/06/2016	Amber	Sheila Lock	Helen Wetherall	26/08/2014
C	Environment Transport and Development *(EDT Committee)*	RM14172	Residual Waste Treatment Contract termination process.	Contract termination notice on 24 April effective on 16 May 2014. Payments would be due in July 2014 but there is the risk that payments could be delayed, the process could become protracted or a claim for a higher compensation figure could be made. The three heads of cost are: the capped compensation figure of £20.3 million as well as any over-hedging payments, the payment for cancelling arrangements in place to mitigate risks of interest and foreign exchange risks at £11.8368 million and the County Council's share of the public inquiry costs estimated at around £1.6 million and now expected to be slightly lower.	12/06/2014	3	5	15	3	5	15	Adhere to terms of contract. Ensure suitable resources are available to meet payments as required. Undertake all due diligence and challenge where required. Utilise specialist advice and support.	Cancellation of arrangements to mitigate the risks of interest and foreign exchange rates occurred on 16 May with suitable internal and external scrutiny of the process and the contractor accepted that no immediate payment was due and £11.8m payment was made 14 July. Evidence was provided justifying scale of compensation capped at £20.3m, overhedging payments and public inquiry costs and further information was requested. Suitable specialist advisors undertook due diligence and external legal advice was in place to advise. Contractors approach still unclear in relation to some contractual provisions such as the cap. On 21 July a payment was made for the agreed compensation for the Public Inquiry cost. On 02 September a compensation payment was made in relation to the £20.3m cap and overhedging payments. This reflected the level of compensation required under the contract that could be justified taking into account the expert advice and diligence obtained in scrutinising the claim by both our legal advisors and PWC. Some amounts were withheld pending further evidence being submitted by CW. We expect representations/challenge to be made by CW for additional payments. We have a robust rational for maintaining the cap at 20.3m	1	5	5	01/09/2014	Amber	Tom McCabe	Joel Hull	04/09/2014

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C	Environment Transport and Development *(EDT Committee)*	RM0201	Failure to implement Norwich Northern Distributor Route (NDR)	Failure to implement the NDR would result in the inability to implement significant elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan including pedestrian enhancements in the city centre, public transport improvements (including some Bus Rapid Transit corridors), traffic management in the suburbs, reductions in accidents and would result in an increase in congestion affecting public transport reliability. It would also result in a reduction in our capacity for economic development and negatively impact on Norfolk County Council's reputation. Inability to deliver the NDR will also affect the growth planned as part of the Joint Core Strategy (JCS).	01/04/2005	3	4	12	3	4	12	Following confirmation of funding, complete work required by DfT to regularly report on-going project progress for the NDR (and Postwick Hub, for which the funding is linked) to maintain funding allocation. Work on Public Examination process for delivery of necessary Development Consent Order for NDR. Ensure all necessary timescales for the Examination process are met. Work with DfT regarding the Full Approval process for the NDR at the appropriate point following completion of the Examination process.	The Transport Secretary announced on the 26 October 2012 that the NDR has been included in a 'Development Pool' of schemes. DfT have now reconfirmed a maximum contribution of £86.5m funding for the NDR (which includes £19m for Postwick Hub). However the funding cannot be drawn down for the NDR until 'Full Approval' stage, which follows completion of statutory processes (i.e. confirmation of the Development Consent Order - DCO). The DCO consolidates the planning/land CPOs/highway Orders into one process overseen by the Planning Inspectorate - called the Examining Authority (ExA). This has provided more confidence in the timescales to deliver the NDR, with the potential to commence construction in the Summer of 2015 and open the NDR in Autumn 2017. The NDR examination in public started on 2 June 2014 and will last a maximum of 6 months.	2	4	8	01/11/2017	**Amber**	Tom McCabe	David Allfrey	29/08/2014
C	Community Services Transformation *(Adult Social Care Committee)*	RM14079	Failure to meet the long term needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.	11/10/2012	5	5	25	5	5	25	• Take steps to protect the Purchase of Care budget when budget planning prior to 2014-17. • Invest in appropriate prevention and reablement services • Integrate social care and health services to ensure maximum efficiency for delivery of health and social care • The Building Better Futures Programme will realign and develop residential and social care facilities • Ensure budget planning process enables sufficient investment in adult social care particularly in year 3 of current plan. • Continue to: try and manage needs; to identify and deliver savings in the Adult Social Care budget plan; and to ensure the issues are understood and discussed corporately.	The Adult Social Care mitigating tasks are relatively short term measures compared to the long term risk, i.e. 2030, but long term measures are outside NCC's control, for example Central Government policy. Although steps have been taken to protect the Purchase of Care budget in previous budget planning, the proposals for 2014-17 have had to include savings from the Purchase of Care budget. Actions are in hand to achieve these, e.g. adjustments to the Resource Allocation System for Community Activities/Well Being and Transport were made on 1 April 2014.. The Care Act including changes in social care funding will impact significantly: more people eligible for social care funding; less service user contributions; and it is not clear whether there will be additional/sufficient government funding. The guidance is still draft. A project is in place to help ensure the department delivers the changes arising from the Care Act.	2	4	8	31/03/2030	**Amber**	Harold Bodmer	Janice Dane	15/08/2014
C	Community Services Transformation *(Adult Social Care Committee)*	RM0207	Failure to meet the needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.	01/04/2011	3	4	12	3	4	12	• Invest in appropriate prevention and reablement services • Integrate social care and health services to ensure maximum efficiency for delivery of health and social care • The Building Better Futures Programme will realign and develop residential and social care facilities	A review of the fees paid to the independent sector was undertaken in 2012-13 and informed the inflationary uplift discussions with provider representatives for 2013-14 and 2014-15. Following the setting up of Norse Care in April 2011 the Building Better Futures 15 year transformation programme of the previous in house residential homes is starting with the reprovision of three residential homes in the Eastern Locality. The department is relaunching the Care Aware service, which provides independent financial advice. Most of the 2013-14 budgeted savings were achieved and where they weren't they were offset by underspends elsewhere in the department and the use of some reserves. Actions are in place to deliver the 2014-17 savings but there are risks associated with the savings. Work is progressing on integration with NCH&C and around the setting up and delivery of the Better Care Fund (BCF). Recent announcements on the BCF have put at risk £10m of the funding that NCC included in the budget plan to maintain current services. This is being fed into the corporate budget	2	4	8	31/03/2015	**Amber**	Harold Bodmer	Janice Dane	15/08/2014

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C	Corporate *(P&R Committee)*	RM0200	Capacity for change - Insufficient capacity for business transformation	The proposals require significant transformation and change to services and there is a risk that there will be insufficient capacity to re-design services and implement new ways of working. Insufficient capacity and resources in the organisation to make required business transformation resulting in change projects not being delivered on time and risk that business as usual could fail in some areas.	01/04/2011	3	4	12	3	4	12	• Corporate Programme Office established and rigorously reviews and reports progress of the Council's business transformation programme (Norfolk Forward) on a monthly basis within a formal governance and reporting structure. • Capacity and resource planning is a key part of this agenda to ensure successful delivery of the strategic outcomes • Any issues are addressed by the Norfolk Forward Strategic Programme Board through prioritisation of projects or where necessary the utilisation of the cost of change budget • The corporate performance framework looks at four themes, (Managing change, Managing the budget, Quality and Performance of Services and Outcomes for Norfolk people). This enables us to assess the impact our change priorities have on our business as usual performance and resources.	**Summary statement:** Resource issues impacting the delivery of the NCC change programme are being addressed at a departmental level in the first instance and where there are issues which require priority decisions or additional funding they will be escalated to COG for resolution. **Process, Behaviour and Planning:** Project and programme resource pinch points are being addressed at project and programme board level for resolution and escalated to RMT only when they cannot be resolved. **Systems and Management Information**: The Portfolio and Resource Management System (PRMS) is now rolled out across Shared Services Programme and the large Directorate Transformation Programmes. This enables demand for shared services to be identified at a project level which will provide information for resource planning in shared services.	2	4	8	31/03/2017	**Amber**	Anne Gibson	Diana Dixon	22/08/2014
C	HR Shared Services *(P&R Committee)*	RM13918	Staffing - The speed and severity of change in work activities.	The risk that skills and knowledge may be lost as people leave or are made redundant, and that staff morale is adversely affected. The speed and severity of the changes in service activities, service redesign and job cuts necessary to achieve budget savings targets could significantly affect the engagement and wellbeing of staff. This could lead to increased sickness absence, reduced engagement and a reduction in productivity and performance.	23/05/2011	3	4	12	3	4	12	• The OD and HR workstream highlights a range of activities to ensure from a people perspective that we maintain a resilient, productive organisation ready to embrace and implement the changes. • The CC continues to :- (a) Set clear expectations of managers around leading change in their teams.(b) To provide targeted leadership & management development to support our managers to be able to sustain both individuals and team engagement, wellbeing, resilience, productivity and performance. There was a particular focus this year around equipping managers to have high quality discussions with individuals through end of year Appraisal discussions - to prepare them for the future - (including developing new skills and planning their careers). (c) Ensure the on-going promotion and access to our wellbeing support (including for example the Norfolk Support line); provide sessions to build individual and team resilience (along with self help support on Peoplenet). • The provision of a targeted package for employees leaving the organisation has been previously provided and well received. • There is in place regular tracking employees engagement and morale through a range of mechanisms and upwards feedback and ensuring any themes/issues are acted on. Attention will be paid to tracking this across all services across the CC. Also linking this data with on-going trends around sickness absence and range of proactive support for managers around managing attendance within their teams. • Further review and planning of the HR and OD support is underway to ensure the effective implementation of financial challenges / People First	We continue to draw on and review the 'lessons learned' from all the different change we have implemented in order to improve our handling of future phases, such as involvement, communications and support mechanisms for staff. Previous Employee surveys and our tracking through the Manager Reference, Focus Group and TU feedback highlights good levels of employee engagement (against a backdrop of change and on-going job security issues). Progress around sickness absence also reported regularly to COG and Committees - end of year figures show overall reduction in sickness absence compared to previous years. Reviewed at COG in December 2013 confirmed no change to prospects or current score. 12 March 2014 - New employee survey scheduled for May 2014. No change to scoring or prospects.	2	4	8	31/03/2017	**Green**	Audrey Sharp	Kerry Furness	15/05/2014

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C	HR Shared Services Business Continuity *(P&R Committee)*	RM14097	Shortage of personnel for a variety of reasons e.g.. illness, industrial action, inclement weather etc., including loss of key senior personnel	The risk of a shortage of personnel could result in inadequate capacity to deliver our services, reputational damage for the organisation, and litigation in the case of being unable to deliver our key statutory obligations. This is particularly the case with Payroll specialist and Oracle functional/ technical staff given the high level of payroll legislative changes (Real Time Information, Pension Scheme changes (LGPS 2014, TP & NHS 2015)) impacting at the same time as extensive organisational change.	01/04/2013	3	4	12	3	4	12	BCPE001 Business Partners / HR Service Manager / HR workforce planning team Ensure key skills for critical activities are documented to support redeployment of staff in the event of needing staff to support critical activities.	11 March 2014: Arrangements established for bringing together focused Org Review Team to support change programme. Retention of specialist resource agreed to March 15. Continuing management of high demand on Payroll and ESC staff due to LGPS2014, TP and RTI.	3	2	6	30/09/2014	**Amber**	Audrey Sharp	Ian Cooper	23/07/2014
												BCPE002 Ian Cooper - Maintain critical skills within NCC's Corporate HR system.	08 August 2013: Qualifications can now be added to an employee's personal record via self service. This is available to approx. 4000 employees and allows a wide range of qualifications to be recorded. Whilst this does not fully meet the need as it is not yet possible to record skills, just qualifications, a greater range of information is now available. Increased scope of both the available functionality and number of employees who can access self service is planned.								
C	Environment Transport and Development Business Continuity *(EDT and P&R Committee)*	RM14098	Incident at key NCC premises or adjacent causing loss of access or service disruption	The risk that fire, flood or structural damage could cause disruption for services due to loss of the building or loss of access to the building.	01/04/2013	3	3	9	3	3	9	BCPR001 John Ellis To ensure a corporate approach to work area recovery is agreed.	Update August 2013: Progress continues, Work Area Recovery (WAR) sites being visited. Engaged in County Hall Strategic Repair Project. BIA's results currently being analysed. Update September 2013: Assessments begun of existing NCC key premises and WAR requirements in order to progress new Corporate WAR proposal. January 2014: Assessment of premises in progress. April 2014: no updates June 2014: no updates - mapping and planning work continuing in line with moves due to strategic maintenance of County Hall.	3	2	6	30/09/2014	**Amber**	Tom McCabe	John Ellis	27/08/2014
												BCPR005 Adrian Blakey Ensure robust out of hours arrangements for all premises access in the event of an incident exist.	In the short term, proposals for out-of-hours cover have been documented by NPS and agreed, this builds on existing arrangements, it includes all corporate properties not just County Hall. In the longer term this issue will be addressed by the NPS Service Level Agreement (SLA). Also includes out of hours contacts for premises managers and key holder details. January 2014: Premises managers are detailed in C2 along with key holder information, department access to this is to be confirmed by Ben Fosdick. This will provide us with contact information required but the approach regarding how an out-of-hours service would work regarding properties other than County Hall is still to be confirmed. It will be outlined in the SLA, however the SLA is currently on hold following the request of a review of a client side property department. Apr 14 - revised target date to be discussed at BCMC May 14								
												BCPR007 Graham Wray To ensure evacuation procedures are in place which minimise disruption and support recovery.	October 2013: new signage was erected but unfortunately vandalised the same day and had to be removed so further assessments need to be made of the available options. Still awaiting updated evacuation guidance from NPS. January 2014: This will be raised via NPS at the next liaison meeting and a paper has been drafted to go to COG which includes this issue. All options have previously been considered at length and considerable expense in officer time and NPS consultancy charges, we now need to ensure that NPS implement the agreed option. February 2014: Changes to County Hall and additional exit/entrance points will mean that evacuation arrangements will change and communication will be more complicated. Flags at bronze control may now not be a solution given the changes. Placed on hold pending meeting/discussion with Mick Sabec. APR 14 - work on-going around this - target date to be discussed at BCMB MAY. July 2014: same position as Feb 2014. Due to meet again with MS to discuss this.								

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												BCPR009 Andrew Crossley To create an alternative exit for CH for use in emergency.	Land has been cleared, instruction provided not to re-let mobiles blocking exit, Highways are happy. Currently being reviewed by planners to provide planning permission. August 2012. Update January 2014: this has been highlighted as a significant risk to NCC for a number of reasons, the most recent being the strategic repair of County Hall. report went to Norwich City for consultation with cabinet which was due July 2013 but has now been postponed until November 2014. Results from this need to be obtained prior to resubmission of planning documents for consideration. February 2014: Report received from NPS, LR has provided a full response on behalf of the Resilience Team including responses to previous objectors. Once NPS have reviewed comments they will advise us so we can discuss with relevant Members. Meeting requested with Steve M, Sue W and Dan R as well as NPS colleagues to discuss proposals prior to commencing next steps. Meeting also needed between one of us / Adrian / Steve Rayner and Andrew Crossley to discuss risk assessment and cost benefit analysis. We can make best use of the existing reports / documentation that have been produced. APR 14 - meeting being arranged with relevant NCC Members to discuss proposals for emergency exit before submission. July 14 - meeting was arranged with Members but was cancelled due to new committee system implementation and change of responsibilities. New meeting date currently being arranged.								
C	ICT Shared Services Business Continuity *(EDT and P&R Committee)*	RM14100	Loss of key ICT systems	Loss of core or loss of a key ICT systems, communications or utilities for a significant period could impact on delivery of critical services.	01/04/2013	3	4	12	3	4	12	BCI001 - Ensure ICT solutions are designed, implemented and operated to provide the agreed level of resilience	07 August 2013 On-going. Changes to standard desktop, remote access, wireless and managed printing now making it easier for staff to work from other locations. Dec 2013 - on-going, new systems and major changes being delivered via ICT Programme comply with latest best practice to ensure agreed performance and availability 24 February 2014 - ICT systems and services will migrate to Tier 3 (National infrastructure) data centres as part of DNA during 2014. As part of this work HP will deliver a Business Continuity plan and Disaster recovery plan for the services transferring and update them as the work progresses. The corporate Business Continuity Team will be directly involved.	2	3	6	31/03/2015	**Amber**	Tom McCabe	Kurt Frary	31/07/2014
												BCI002 - Ensure the ICT dependencies and requirements of the business are fully understood and reflected in ICT operational services, ICT infrastructure / platforms, ICT continuity plans and ICT recovery processes	07 August 2013 Major incident communication process working well. ICT resilience measures in place for County Hall power outage scheduled for 7th Sept. Identification of critical ICT dependencies will start once BIA data available. 8 Oct 2013 - ICT resilience measures ensured continued availability of planned ICT services during planned County Hall Maint power outage Dec 2013 - on-going, DNA programme of information and application discovery works now in progress to confirm baseline 24 February 2014 - ICT Business Continuity plans are to be reviewed Feb 2014 and updated March 2014 to reflect lessons learnt as part of the datacentre power outage major incident. May 2014 - following the recent email outage a report is going to Audit Committee detailing the cause and effects of the outage.								

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												BCI003 - Ensure the increased availability of ICT platforms and services through planned migration of data centre services from County Hall and Carrow House to more appropriate and resilient environments	Oct 2013. Data Centre Resilience project complete and post project review report to be published Sept. Interim options to provide increased resilience until DNA solutions available being investigated. 8 Oct 2013 - DNA contract award due Nov, will include relocation and migration of ICT platforms from County Hall Dec 2013 - DNA contract awarded to HP, detail planning for migration of data centre services due early 2014 24 February 2014 - Kurt Frary Infrastructure services manager has worked with business continuity team to review the BIA for ICT and will feed the outcome into								
												BCI004 - Ensure provision of appropriate ICT support for business services operating outside of standard business hours	07 August 2013 On-going, situation under review. Provision of a formal ICT out of hours support service is included within scope of DNA Programme. Maintaining existing stand-by provision to ensure ICT response to a major out of hours incident. Dec 2013 - ICT out of hours support arrangements worked effectively during 'Storm surge' emergency incident 24 February 2014 - DNA was approved in November 2013 and work has commenced to plan the migration of services as per BCI001								

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C	Information Management *(EDT and P&R Committee)*	RM13968	Failure to follow data protection procedures	Failure to follow data protection procedures can lead to loss or inappropriate disclosure of personal information resulting in a breach of the Data Protection Act and failure to safeguard service users and vulnerable staff, monetary penalties, prosecution and civil claims.	30/09/2011	3	5	15	4	5	20	An Information Compliance Group (ICG) has been set up with responsibility for developing policies and procedures and monitoring compliance with the DPA. New staff, volunteers, and contractors' employees do not have unsupervised access to the council's computer facilities or personal data until they have completed the data protection and information security courses (e-learning and workbook based options are provided). Refreshers at no longer than 3-year intervals are mandatory. Completion of courses is monitored and 'overdue' completions are reported to COG and line managers. In areas where sensitive personal data is held, a) rules have been introduced to ensure that recipient information is accurate before the data is sent out of the council, and b) communications plans to reminding staff of procedures are in place. A standard procedure for notifying, investigating, categorising the seriousness, and addressing the causes of, breaches of the DPA is now in place. Incidents are notified to and logged by the Corporate DP Officer who submits weekly reports to the Chief Information Officer and monthly updates to the ICG. COG, advised by the Chief Information Officer and the Monitoring Officer, is required to confirm whether a breach should be notified to the Information Commissioner. In future regular reports to be provided to Departmental SMTs. Further recommendations around the organisation information compliance status have been submitted and approved by COG. These recommendations are now being drawn up into a formal plans.	An Information Management Shared Service has been established to integrate all information activities, including Information Compliance and Information Security. Practioners will be co-located, and common processes and procedures introduced where they do not already exist. Formal launch of the service took place on 02 May 2013. Reviewed 21 November 2013 - recommendations of Information Compliance Group presented to, and agreed by COG. Agreed no change to prospects and current scoring due to increased actions implemented and highlighted following recent breaches. Reviewed 04 February 2014 - no change. Reviewed 16 May 2014 - no change to scoring, however target date to be extended to 31 March 2015. 29-08-14 - IM has rolled out a DP Workshop programme for Children's Services specifically targeting DP within a social care environment.	1	4	4	31/03/2015	**Amber**	Tom McCabe	Mark Crannage	29/08/2014
C	Resources Procurement *(P&R Committee)*	RM14156	Liability for legal challenge to procurements conducted by ESPO	The Eastern Shires Purchasing Organisation is a joint committee and the council, as a member authority, is liable for a share of any legal claim against ESPO which exceeds ESPO's modest reserves.	06/02/2014	3	3	9	2	3	6	A review of ESPO's governance processes has been undertaken and governance is now significantly more robust than in the past. However, large scale public procurement is inherently risky and tenderers are increasingly claims conscious.	A further review of ESPO structure is to be undertaken over the next two years and the issue of a limited liability structure, previously rejected by a majority of members, will be reconsidered.	2	3	6	27/02/2015	**Green**	Peter Timmins	Joan Murray	03/09/2014
C	Resources Procurement *(P&R Committee)*	RM14080	Failure of tender process	If we do not manage the commissioning and tendering process effectively we may be subject to legal challenge from an unsuccessful bidder or we may appoint a bidder which is not capable of delivering the contract effectively.	16/10/2012	3	5	15	2	4	8	1) Implement a document automation system to make tender processes more consistent. 2) Further training for staff managing tender evaluation processes.	1) A product called HotDocs has been procured, implemented and to be to be rolled out by September 2013 2) Staff received 2 days of category management training in November. 03 October 2013 Al Collier update - Transfer risk owner to Al Collier - HotDocs roll-out delayed due to other pressures. Scores to remain, however target date to be revised to 31 March 2014. 12 March 2014 - first phase of HotDocs has been implemented for Tender documentation. Further developments planned.	1	4	4	30/06/2015	**Green**	Peter Timmins	Joan Murray	03/09/2014

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C	Finance *(P&R Committee)*	RM14169	Failure to deliver planned revenue budget savings in 2014/15	The risk that planned budget savings are not delivered in full and on time could lead to imposed in-year cuts and reductions in planned service delivery. This could impact on services delivered to the public, as well as generating adverse public and media comment if cuts are made in areas that were not included in the Putting People First consultation.	31/10/2013	3	3	9	3	3	9	Regular and robust monitoring and tracking of in-year budget savings by COG and members Regular finance monitoring reports to Committees	Currently there are indications that some of the required savings will not be delivered in 2014/15. Chief Officers are taking corrective action or identifying alternative savings to deliver a balanced outturn. The position will be continually monitored and reported to COG and Members during the year.	2	3	6	31/03/2015	**Green**	Peter Timmins	Harvey Bullen	21/08/2014
C	Resources Corporate Programme Office *(P&R Committee)*	RM14146	Failure to effectively manage County Hall refurbishment and maintenance.	Failure to effectively manage County Hall refurbishment and maintenance during the project may lead to: Excessive dust and noise resulting in interruption to work-related activities Release of asbestos resulting in the contamination of working areas and long term health issues. Flooding, specifically of the server room, resulting in delays to service delivery. Heightened risk of fire damage and personal injury due to inadequate fire alarm and evacuation systems.	01/11/2013	3	5	15	3	5	15	Ensure the construction strategy regarding noise management is created in collaboration with client workstreams. Create and regularly test robust asbestos management plans before commencement of any construction activities. Ensure all staff and contractors are appropriately trained. Undertake a detailed assessment of existing water services, including identification of areas at high risk of failure. Create a management plan and approach to working on the system, including publishing and distributing an emergency handbook detailing the sequence of actions in the event of a discharge. Create an installation strategy to maintain effective systems of detection and alert. Fire Marshal team to be actively involved in the progress of works and included within the existing fire alarm testing regime, notifications, plans and systems. Communication plan in place to deliver	Cladding options have been developed which will reduce noise. Trial panel installed with minimal disruption to users. Installation of the panels completed on the 8th and 7th floors with significant progress being made on the 6th floor. Overall completion of cladding on target for the end of 2014. Out of hours working and planned noisy periods strategy developed. Further options developed to manage the impact of noise from the external works to the building. Review undertaken of lessons learned, leading to the implementation of changes to building working practices to mitigate disruption from noise and dust. Asbestos management plan conforming to industry best practice, R&D surveys, specialised trained, contractors, conformance certification, pre-notification to HMRC, good separation between maintenance works and occupied areas of the building. Lessons learned from previous maintenance projects. Work completed on the 8th floor and handed over on time for re-occupation. Completion of works on target for the 7th floor.	1	5	5	31/03/2016	**Green**	Peter Timmins	Mick Sabec	27/08/2014
C	Corporate *(P&R Committee)*	RM14155	Embedding the committee system	Failure to embed a successful and fit for purpose committee system of governance within Norfolk County Council to cover the statutory five year period from 2014 to 2019 may lead to flawed and/or delayed decision making. Likely consequences include missed opportunities, increased workloads for officers and Members, increased costs, reduced service levels and reputational damage to the County Council.	16/01/2014	3	4	12	1	4	4	Norfolk County Council internal and external documentation and training material reviewed and updated to reflect the Committee system. Comprehensive review to be conducted within six months of implementation followed by appropriate corrective action.	Joint Member/Officer training underway; Generic training completed. Chairing skills training delivered; further round planned; template reports being refreshed to ensure best possible engagement in policy development and decision making. Two rounds of meeting completed. More informal workshops across committees taking place to build understanding. Programme of financial workshops planned to support critical role in budget setting	1	4	4	31/12/2014	**Green**	Debbie Bartlett	Debbie Bartlett	08/08/2014
C	Environment Transport and Development *(EDT Committee)*	RM14173	Failure to establish a waste management strategy and associated policies	Would result in compromising the County Council's ability to undertake integrated procurements and development of initiatives in a co-ordinated manner, with suitable involvement of its partners and stakeholders and could lead to a requirement to use emergency powers to fulfil its role as the Waste Disposal Authority for Norfolk and may compromise its ability to deliver improved value for money waste services.	12/06/2014	2	5	10	2	5	10	Develop a waste management strategy and associated policies. Establish suitable governance and resources for development and delivery of strategy. Engage partners and stakeholders. Undertake procurements to deliver strategy. Deliver initiatives to support strategy.	Waste Advisory Group established and first meeting scheduled for 30 July.	1	5	5	01/01/2015	**Green**	Tom McCabe	Joel Hull	21/07/2014
C	Environment Transport and Development *(EDT and P&R Committee)*	RM14183	Loss of internet connection and the ability to communicate with Cloud provided services.	The loss of ability to communicate over the internet will result in a failure to deliver IT based services leading to a loss of reputation, service delivery and additional costs.	07/07/2014	3	4	12	3	4	12	Internet Connection is duplicated and delivered through diverse routes (County Hall and Carrow House).	Services are delivered using multiple connections. The new HP Services are delivered through multiple connections.	2	4	8	01/03/2015	**New**	Tom McCabe	Kurt Frary	31/07/2014

CDGSTP	Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Inherent Likelihood	Inherent Impact	Inherent Risk Score	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
C	Environment Transport and Development *(EDT and P&R Committee)*	RM14184	Successful cyber attack.	A successful cyber attack will result in the loss or reduction of ICT capability leading to an inability to deliver or a restriction in our services. It will also result in a loss of sensitive data and/or information relating to service users and/or staff that could result in fines or legal challenge.	07/07/2014	2	4	8	2	4	8	The current Voice and Data contract includes Intrusion Detection and Intrusion prevention systems, Firewall and network security.	Appropriate Cyber security will be included in the Data and Voice contract re-let.	1	4	4	01/03/2016	**New**	Tom McCabe	Kurt Frary	31/07/2014

Risk Register - Norfolk County Council - Appendix 2

Risk Register Name	**Corporate Risk Register**			**Red**
Prepared by	**Steve Rayner**	**High**		**Amber**
Date updated	**August 2014**	**Med**		**Green**
Next update due	**December 2014**	**Low**		**Met**

Area	Risk Number	Risk Name	Risk Description	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Children's Services *(Children's Services Committee)*	RM14147	Failure to improve at the required pace.	CS Teams do not show the improved performance at the speed which is acceptable to DfE and Ofsted.	2	5	10	1	4	4	31/01/2016	**Green**	Sheila Lock
Children's Services *(Children's Services Committee)*	RM14148	Overreliance on interim capacity	Overreliance on interim capacity at leadership and management levels and in social worker teams leads to unsustainable performance improvement.	3	5	15	2	4	8	30/06/2015	**Amber**	Sheila Lock
Children's Services *(Children's Services Committee)*	RM13906	Looked After Children overspends	That the Looked After Children's budget could result in significant overspends that will need to be funded from elsewhere within Children's Services or other parts of Norfolk County Council	4	4	16	2	4	8	30/06/2016	**Amber**	Sheila Lock
Environment Transport and Development *(EDT Committee)*	RM14172	Residual Waste Treatment Contract termination process.	Contract termination notice on 24 April effective on 16 May 2014. Payments would be due in July 2014 but there is the risk that payments could be delayed, the process could become protracted or a claim for a higher compensation figure could be made. The three heads of cost are: the capped compensation figure of £20.3 million as well as any overhedging payments, the payment for cancelling arrangements in place to mitigate risks of interest and foreign exchange risks at £11.8368 million and the County Council's share of the public inquiry costs estimated at around £1.6 million and now expected to be slightly lower.	3	5	15	1	5	5	01/09/2014	**Amber**	Tom McCabe
Environment Transport and Development *(EDT Committee)*	RM0201	Failure to implement Norwich Northern Distributor Route (NDR)	Failure to implement the NDR would result in the inability to implement significant elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan including pedestrian enhancements in the city centre, public transport improvements (including some Bus Rapid Transit corridors), traffic management in the suburbs, reductions in accidents and would result in an increase in congestion affecting public transport reliability. It would also result in a reduction in our capacity for economic development and negatively impact on Norfolk County Council's reputation. Inability to deliver the NDR will also affect the growth planned as part of the Joint Core	3	4	12	2	4	8	01/11/2017	**Amber**	Tom McCabe
Community Services Transformation *(Adult Social Care Committee)*	RM14079	Failure to meet the long term needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.	5	5	25	2	4	8	31/03/2030	**Amber**	Harold Bodmer

Area	Risk Number	Risk Name	Risk Description	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Community Services Transformation *(Adult Social Care Committee)*	RM0207	Failure to meet the needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.	3	4	12	2	4	8	31/03/2015	**Amber**	Harold Bodmer
Corporate *(P&R Committee)*	RM0200	Capacity for change - Insufficient capacity for business transformation	The proposals require significant transformation and change to services and there is a risk that there will be insufficient capacity to re-design services and implement new ways of working. Insufficient capacity and resources in the organisation to make required business transformation resulting in change projects not being delivered on time and risk that business as usual could fail in some areas.	3	4	12	2	4	8	31/03/2017	**Amber**	Anne Gibson
HR Shared Services *(P&R Committee)*	RM13918	Staffing - The speed and severity of change in work activities.	The risk that skills and knowledge may be lost as people leave or are made redundant, and that staff morale is adversely affected. The speed and severity of the changes in service activities, service redesign and job cuts necessary to achieve budget savings targets could significantly affect the engagement and wellbeing of staff. This could lead to increased sickness absence, reduced engagement and a reduction in productivity and performance.	3	4	12	2	4	8	31/03/2017	**Green**	Audrey Sharp
HR Shared Services Business Continuity *(P&R Committee)*	RM14097	Shortage of personnel for a variety of reasons e.g.. illness, industrial action, inclement weather etc., including loss of key senior personnel	The risk of a shortage of personnel could result in inadequate capacity to deliver our services, reputational damage for the organisation, and litigation in the case of being unable to deliver our key statutory obligations. This is particularly the case with Payroll specialist and Oracle functional/ technical staff given the high level of payroll legislative changes (Real Time Information, Pension Scheme changes (LGPS 2014, TP & NHS 2015)) impacting at the same time as extensive organisational change.	3	4	12	3	2	6	30/09/2014	**Amber**	Audrey Sharp
Environment Transport and Development Business Continuity *(EDT and P&R Committee)*	RM14098	Incident at key NCC premises or adjacent causing loss of access or service disruption	The risk that fire, flood or structural damage could cause disruption for services due to loss of the building or loss of access to the building.	3	3	9	3	2	6	30/09/2014	**Amber**	Tom McCabe
ICT Shared Services Business Continuity *(EDT and P&R Committee)*	RM14100	Loss of key ICT systems	Loss of core or loss of a key ICT systems, communications or utilities for a significant period could impact on delivery of critical services.	3	4	12	2	3	6	31/03/2015	**Amber**	Tom McCabe

Area	Risk Number	Risk Name	Risk Description	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Information Management *(EDT and P&R Committee)*	RM13968	Failure to follow data protection procedures	Failure to follow data protection procedures can lead to loss or inappropriate disclosure of personal information resulting in a breach of the Data Protection Act and failure to safeguard service users and vulnerable staff, monetary penalties, prosecution and civil claims.	4	5	20	1	4	4	31/03/2015	**Amber**	Tom McCabe
Resources Procurement *(P&R Committee)*	RM14156	Liability for legal challenge to procurements conducted by ESPO	The Eastern Shires Purchasing Organisation is a joint committee and the council, as a member authority, is liable for a share of any legal claim against ESPO which exceeds ESPO's modest reserves.	2	3	6	2	3	6	27/02/2015	**Green**	Peter Timmins
Resources Procurement *(P&R Committee)*	RM14080	Failure of tender process	If we do not manage the commissioning and tendering process effectively we may be subject to legal challenge from an unsuccessful bidder or we may appoint a bidder which is not capable of delivering the contract effectively.	2	4	8	1	4	4	30/06/2015	**Green**	Peter Timmins
Finance *(P&R Committee)*	RM14169	Failure to deliver planned revenue budget savings in 2014/15	The risk that planned budget savings are not delivered in full and on time could lead to imposed in-year cuts and reductions in planned service delivery. This could impact on services delivered to the public, as well as generating adverse public and media comment if cuts are made in areas that were not included in the Putting People First consultation.	3	3	9	2	3	6	31/03/2015	**Green**	Peter Timmins
Resources Corporate Programme Office *(P&R Committee)*	RM14146	Failure to effectively manage County Hall refurbishment and maintenance.	Failure to effectively manage County Hall refurbishment and maintenance during the project may lead to: Excessive dust and noise resulting in interruption to work-related activities Release of asbestos resulting in the contamination of working areas and long term health issues. Flooding, specifically of the server room, resulting in delays to service delivery. Heightened risk of fire damage and personal injury due to inadequate fire alarm and evacuation systems.	3	5	15	1	5	5	31/03/2016	**Green**	Peter Timmins
Corporate *(P&R Committee)*	RM14155	Embedding the committee system	Failure to embed a successful and fit for purpose committee system of governance within Norfolk County Council to cover the statutory five year period from 2014 to 2019 may lead to flawed and/or delayed decision making. Likely consequences include missed opportunities, increased workloads for officers and Members, increased costs, reduced service levels and reputational damage to the County Council.	1	4	4	1	4	4	31/12/2014	**Green**	Debbie Bartlett
Environment Transport and Development *(EDT Committee)*	RM14173	Failure to establish a waste management strategy and associated policies	Would result in compromising the County Council's ability to undertake integrated procurements and development of initiatives in a co-ordinated manner, with suitable involvement of its partners and stakeholders and could lead to a requirement to use emergency powers to fulfil its role as the Waste Disposal Authority for Norfolk and may compromise its ability to deliver improved value for money waste services.	2	5	10	1	5	5	01/01/2015	**Green**	Tom McCabe
Environment Transport and Development *(EDT and P&R Committee)*	RM14183	Loss of internet connection and the ability to communicate with Cloud provided services.	The loss of ability to communicate over the internet will result in a failure to deliver IT based services leading to a loss of reputation, service delivery and additional costs.	3	4	12	2	4	8	01/03/2015	**New**	Tom McCabe
Environment Transport and Development *(EDT and P&R Committee)*	RM14184	Successful cyber attack.	A successful cyber attack will result in the loss or reduction of ICT capability leading to an inability to deliver or a restriction in our services. It will also result in a loss of sensitive data and/or information relating to service users and/or staff that could result in fines or legal challenge.	2	4	8	1	4	4	01/03/2016	**New**	Tom McCabe

Audit Committee

Item No 11

Report title:	**Norfolk Audit Services Quarterly Report for the Quarter ended 30 June 2014**
Date of meeting:	**25 September 2014**
Responsible Chief Officer:	**Interim Head of Finance**

Strategic impact

Norfolk Audit Services fulfils the internal audit function for the Council as required by the relevant regulations. 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.

This report:

- summarises the results of recent work by Norfolk Audit Services (NAS), to give an overall opinion on the adequacy and effectiveness of risk management and internal control within the County Council and to give assurance that, where improvements are required, remedial action has been taken by Chief Officers; and
- provides an update on changes to the approved Norfolk Audit Services audit plan, traded Schools audits and the preparations for an Audit Authority for the France Channel England Interreg VA Programme.

Executive summary

Recommendation:

The Audit Committee is asked to consider and comment on:

- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'.
- the summary High Priority Findings results at Appendix B, being satisfactory
- the changes to the approved 2014-15 Norfolk Audit Services audit plan, described in Appendix E
- satisfactory progress regarding the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

1. Proposal (or options)

1.1 The proposal is covered in the Executive Summary above.

1.2 The Chairman of the Audit Committee and Chief Officers Group has each been consulted in the preparation of this report.

2. Evidence

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

- Final reports issued in the quarter (representing a proportion of the planned audit coverage for the year),
- The results of any follow up audits,
- The action taken in respect of High Priority Findings,
- The results of other work carried out by Norfolk Audit Services and
- The corporate significance of the reports.

2.2 A note of Technical Details appears at **Appendix A** for reference.

3. Financial Implications

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

3.2. There were no corporately significant reports with financial implications in the quarter ended 30 June 2014.

3.3. Norfolk Audit Services plan to deliver approved savings in 2014-15 by adhering to the planned budget and preparing for ongoing savings as required.

3.4. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2014-15 has been set to deliver 90% of audits within budget.

3.5. The costs of half yearly audit plans are communicated to the Interim Head of Finance.

4. Issues, risks and innovation

4.1. Changes have been made to the Internal Audit Plan for 2014-15 agreed by the Audit Committee in January 2014. There were 84 days changed at the January 2014 committee, 60 were reapplied leaving a net reduction of 24. There are 104 more days in the original plan that are subject to change, as set out in **Appendix F**.

4.2. During the quarter ended 30 June 2014 the Council terminated the Residual Waste Treatment Contract. At the June Audit Committee meeting it was reported (Item 12, paragraph 4.3) that Internal Audit monitored the arrangements leading up to the ending of the arrangements put in place to mitigate the interest rate and foreign exchange risks and has confirmed that there were satisfactory internal controls and risk management in place. No further audit work is planned.

4.3. Technical details appear at **Appendix A** for information.

4.4. **Other resource implications**

There were no other resource implications arising from this report.

4.5. **Legal implications**

There were no legal implications arising from this report.

4.6. **Risk implications**

There were no risk implications arising from this report.

4.7. **Equality implications**

There were no equality implications arising from this report.

4.8. **Human rights implications**

There were no human rights implications arising from this report.

4.9. **Environmental implications**

There were no environmental implications arising from this report.

4.10. **Health and safety**

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

5. Background

5.1. Technical Information appears at **Appendix A** for information.

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

5.3. **Background papers**

- Annual Audit Plan – See page 226 to 265

Officer Contact

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

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

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IN TRAN communication for all

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Appendix A

Technical Details

Notes for section 2

2.1 Delivery of final reported audits for the quarter ended 30 June 2014 is considered satisfactory and sufficient. A list of those reports is attached as **Appendix B**. Norfolk Audit Services have set a target of 100% of reports being draft or final by the end of 2014/15.

Report type	Quarter	Year to to 30 June 2014
Final audit reports (non-schools)	13	13
Final audit reports (schools)	1	1
Certified grant claims	5	5
Follow-up report	0	0

NB:- The year to date figure refers to audits included in the 14-15 audit plan only.

2.2 The High Priority Findings are being managed and satisfactory action has either been completed or is planned. See **Appendix C** for further details.

2.3 Audits of particular note for the quarter are described in detail at **Appendix D** and include the following:

- Monitoring of Placements in Non maintained Schools SEN – Special Educational Needs)
- Sickness Management
- Supporting Schools for Improved Pupil Attainment
- Data Protection

2.4 There were no corporately significant reports in the quarter ended 30 June.

2.5 NAS has received positive feedback on audits during the quarter ended 30 June 2014. See **Appendix E** for further details.

2.6 Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. The target for time NAS staff spends on “productive” activities, ie work which contributes to and supports the opinion of the Chief Internal Auditor, has been set at 65% for the 2014-15 year. The proportion of productive time for quarter 1 was 56.40% and this is considered satisfactory due the staff profile changes and the increased training needs within NAS.

2.7 There have been no reported instances in the quarter of non compliance by Members with the Members Allowances rules or Chief Officers with their Expenses rules.

2.8 From time to time Norfolk Audit Services is notified of allegations. Allegations are managed in two stages, a preliminary assessment and then, if required, a formal investigation. Preliminary assessments may require significant work and can lead to an assessment report. Formal investigations will have terms of reference and a time budget. There are no formal investigations in progress at this time. One preliminary assessment has occurred since the end of the last quarter.

2.9 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily.

2.10 We have continued to work with colleagues in the Corporate Programme Office and provide advice, support and challenge in order to seek assurance on the continued good governance, internal controls and risk management of services that are subject to organisational change. See **Appendix E** for further details on the 'Transformation Programme'.

Notes for section 4

4.2. Of the 104 changed days in the Internal Audit plan all have been re-allocated into new priority audit work. There is a running total of 188 days subject to change. The latest changes, which have been agreed with the Interim Head of Finance, are set out in **Appendix F**.

4.3. The External Auditor is required to check that those charged with governance (the Audit Committee) oversee management arrangements for identifying and responding to the risks of fraud and the establishment of internal control. The Committee Chairman and Interim Head of Finance have responded to the external auditor to provide that assurance.

4.4. Our work provides an understanding of how the Council processes risk, controls and its underlying systems are related. Through our local government experience and by engaging specialist audit providers, we can relate current developments, leading practices and opportunities for improvement. We aim to further develop our approach and skill sets to provide new perspectives oh how we approach audits to add value, be a partner to the business and take an active role in transformational change through critical thinking and value creation.

4.5. We are developing our reporting in 2014 - 2015 to set, measure and highlight cost recovery; new growth opportunity; hour efficiency; redeployment savings or risk reduction with recommendations that make 'meaningful improvements'.

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

4.7. Norfolk Audit Services work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing.

4.8. The profile of Anti Fraud and Corruption arrangements remains high and we are responding to the challenges that arise. In July 2014, Norfolk Audit Services completed a response to CIPFA's required consultation on their Code of Practice on Managing the Risk of Fraud and Corruption. See **Appendix D** for further details.

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

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

4.11. Norfolk Audit Services continually review our performance and costs. We participate in the CIPFA Internal Audit Benchmarking Club which compares us to similar County Council Internal Audit teams. No significant exceptions have been noted.

4.12. There have been several matters arising since the end of the quarter. See **Appendix D** for further details.

Notes for Section 5

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

5.2. The Council has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations 2011. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.

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

5.4. This report summarises Norfolk Audit Services work for the quarter ended 30 June 2014 and includes (as required by Financial Regulation 4.3.2 and the Audit Committee Terms of Reference):

- an opinion on the adequacy and effectiveness of the Council's internal control and risk management arrangements,
- any corporately significant issues arising and
- an assurance that action has been taken as necessary.

5.5. The profile of Anti Fraud and Corruption arrangements remains high and we are responding to the challenges that arise. See **Appendix D** for further details.

Appendix B

Norfolk Audit Services
Final Reports Issued in the Quarter Ended 30 June 2014

There were 14 final reports and 5 grant claims certified during the quarter.

Final Reports

Asset Management

1. Premises Management (Part 2) Facilities Management (Non Health & Safety)

Children's Services

2. 16-19 Funding
3. Monitoring of Placements in Non Maintained Schools (SEN - Special Educational Needs)
4. Supporting Schools for Improved Pupil Attainment

Community Services

5. Museums - Cash Handling and Income Banking
6. Quality of CareFirst Data

Contracts and Procurement

7. Contract Audit County Hall (Phase 2)

Finance

8. Accounts Payable (Cyclical)
9. Payroll (Bureau)

Health and Safety

10. Partnership and Commissioning

Human Resources

11. Sickness Management

ICT

12. CareFirst Change Management System

Information Management

13. Data Protection

Traded Schools

14. Toftwood Community Junior School

<u>Grants claims certified</u>

1. BDUK (Broadband) MAC
2. BDUK (Broadband) M2C
3. Family Focus
4. PRISMA (Spot Check)
5. NORSE

Appendix C

High Priority Findings

Since the December 2013 Chief Officers Group has received details of the High Priority Findings which are being managed by Heads of Service. At 14th July 2014 of May 2014 there are 74 (152 at end of May) High Priority Findings, 74 are rated green (76) that were recommended and agreed for removal, rated 'AR'.

The overall trend is that there are slightly less findings than previously reported overall but those reported are now all rated green.

The High Priority Findings will be reported to the Chairman of the Audit Committee for information.

Table 1: Summary table per department

Department	Green Rated	
ETD (ICT)	3	(0)
Children's Services	31	(15)
Community Services	3	(2)
Resources	35	(11)
NFRS	2	(0)
Total	**74**	**(27)**

Appendix D

Audits of Note

Monitoring of Placements in Non Maintained Schools (SEN - Special Educational Needs)

The purpose of this audit was provide assurance that processes in place are effective, understood and are being followed by all staff and that findings from the previous relevant audits have been actioned.

Overall, controls were in place but certain areas needed strengthening to be considered fully adequate and effective.

Seven High Priority Findings (HPFs) were raised during the audit with a total of seven recommendations made.

Areas generating HPFs were:

- Policies and procedures
- Completeness of files
- Monitoring and reporting of SEN assessments
- Timeliness of SEN reviews
- Evaluating pupil outcomes
- Budget monitoring

An action plan was agreed for the findings raised in the report.

Sickness Management

The purpose of this audit was to consider the process of supporting employees back to work following a period of ill health and assess and understand current levels of compliance with the policy.

Overall, controls were in place but certain areas needed strengthening to be considered fully adequate and effective.
.
Three HPFs were raised during the audit with a total of three recommendations made.

Areas generating HPFs were:

- Management monitoring of the sickness process
- Supporting evidence
- Delayed return to work interviews

Suitable action plans were received for two medium priority findings.

Supporting Schools for Improved Pupil Attainment

The purpose of this audit was to assess the effectiveness of the governance of the arrangements in place to support schools for improved pupil attainment.

Overall arrangements in place were found to be adequate to ensure a better understanding about how schools are performing at this stage. Clear objectives, targets and milestones were in place.

No High Priority Findings were generated.

Data Protection

The purpose of this audit was to provide assurance that there are sufficient systems and controls in place to safeguard personal identifiable information and prevent inappropriate use and disclosure.

Overall, controls were in place but certain areas needed strengthening to be considered fully adequate and effective.

Two High Priority Findings were generated.

Areas generating HPFs were:

- External storage providers
- Completion of e-learning courses

Suitable action plans were received for two medium priority findings.

Appendix E

Supporting Evidence

Corporately Significant Reports

The following criteria are used to assess whether reports are of corporate significance:

- The amount of money that is at risk, normally this will be material amounts
- Any policy implications for the Council as a whole
- Topical issues, having a potential political or public interest
- Where it has not been possible at COG to reach agreement on significant issues or the action that is required to address the issues
- Where agreed action has not been taken at the time of the follow-up audit.

The Service Transformation Programme

The focus of audit assurance for this programme is now achieved through a review of reporting on managing change, which is part of the Performance Monitoring Report to the new Policy and Resources Committee, together with the audit of specific projects, looking at either governance arrangements in the project or governance and controls post implementation. If any exceptions are reported they are fed into our audit planning.

Under the new system of governance from May 2014, the Policy and Resources Committee has two main areas of responsibility: leading the process for developing the County Council Plan and the Medium Term Financial Plan; and co-ordinating all other service committees. It provides a 'whole council' view of performance, budget monitoring and risk and therefore has an important role in moving the organisation forward. In addition, the Committee has responsibility for developing and monitoring corporate services including, ICT, finance and risk management, property and asset management, human resources and organisational development, legal, governance, communications and public affairs and business continuity.

The Performance Monitoring Report to Policy and Resources Committee on 14 July 2014 is drawn from individual performance reports to Committees and reported that the Council has a significant change programme, managed and overseen by the Corporate Programme Office and that the NCC Change Programme for the period 2011/12 to 2013/14 was rated as 'Blue' – 'Successfully completed'. The cross cutting services' change elements of this programme (Shared Services projects and the County Hall (Work style) Project) were reported as Green for the last quarter of 2013/14.

In the quarter ended 30 June 2014 the CareFirst Change Management System audit provided assurance on change controls.

The performance for the 1st Quarter of 2014-15 of the 2014-2017 Change Programme is planned to be reported in late September 2014 and thereafter quarterly.

Internal Audit meet periodically with Corporate Programme Office contacts to consider developments, risks and the audit approach. The challenges and issues for service transformation are reflected in the Corporate Risk Register; RM14094, RM13918, RM14147 and RM0200, reported elsewhere on this agenda.

My review of the reporting, to Policy and Resources Committee at July 2014 and from the sample audit work concludes that the governance, controls and risk management for the service transformation programme are acceptable.

Anti-Fraud and Corruption

The Audit Committee oversees Chief Officer’s arrangements for identifying and responding to the risks of fraud and the establishment of internal control. Norfolk Audit Services’ work includes implicitly work that covers the prevention, detection and investigation of any fraud or corruption that may occur. Reports on the audit findings clearly set out those findings which increase the risk of fraud and who has responsibility for ensuring that recommendations are implemented and the risk of fraud minimised.

In July 2014, Norfolk Audit Services completed a response to CIPFA’s required consultation on their Code of Practice on Managing the Risk of Fraud and Corruption. The response given acknowledged the need for Anti-Fraud and Corruption to be included in the Annual Governance Statement to be enforced by the Accounts and Audit Regulations. The Chairman and Vice Chairman of the Audit Committee were consulted on the response given.

Awareness and understanding of the Anti Fraud and Corruption Strategy and associated documents by Members, staff and those we do business with is being promoted and is a key measure for their success.

After consideration of the risks from the austerity measures and organisational change, the Anti Fraud and Corruption planning and resources were considered sufficient.

Two electronic learning courses have been produced by NAS and are available to all Members and staff of the Council. They are entitled ‘An Introduction to Fraud Awareness’ and ‘Fraud Prevention and Detection (for Managers)’.

Digital Norfolk Ambition Update

In developing the ICT audit plan for the next three years it has been agreed with the Head of ICT that for the corporately significant DNA project Norfolk Audit Services would report quarterly to this Committee. At this time no specific audit work has been completed on the programme. We are alert to developments, governance, controls and risk management in the DNA programme and will maintain this in future audit planning and advice.

Under the new system of governance from May 2014 - the Policy and Resources Committee monitors performance, budget monitoring and risk. In addition that

Committee has responsibility for developing and monitoring corporate services including, ICT.

Policy and Resources Committee received a Digital Norfolk Ambition Update report on 14 July 2014. That report concluded that the programme is progressing well, some milestones are slipping slightly; however, there are no critical issues holding up progress. A further progress report is due to be reported to the Policy and Resources Committee in late September 2014.

The difference we are making

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

Norfolk Audit Services have adopted a "Statement of Customer Pledge and Remedy" which is published on the Council's internet. NAS issues Customer Satisfaction Questionnaires with the draft reports and has received overall positive feedback from these questionnaires for the quarter ended 30 June 2014.

Feedback received was as follows:

<table>
<tr><th>Type of work</th><th colspan="2">Questionnaires issued</th><th>Questionnaires received</th></tr>
<tr><td>Standard audit</td><td colspan="2">13</td><td>1</td></tr>
<tr><td>Grants</td><td colspan="2">5</td><td>1</td></tr>
<tr><td colspan="4">Analysis of results</td></tr>
<tr><td>Number of questions</td><td>Very satisfied</td><td>Satisfied</td><td>Disappointed or Very Disappointed</td></tr>
<tr><td>17</td><td>16</td><td>1</td><td>0</td></tr>
</table>

The new simpler electronic "Survey Monkey" based questionnaire was launched from 20 May 2014 onwards to increase the likelihood of returns. A Service Level Agreement is being drafted for our services.

Appendix F

Changes to the Norfolk Audit Services Audit Plan 2014-15

Audit From Original Approved 2014-15 Plan	Department	Days Out	Reason For Change	New Audit Now in Plan	Days Re-applied	Reduction in the Approved Plan (days)
Financial Arrangements with Group Companies	Resources	12	Vacancy management in the Internal Audit Team.	Days reallocated to Quarters 3 and 4	12	0
HR Resource Management System (Part 2)	Resources	17	As above	Days reallocated to Quarters 3 and 4	17	0
Framework Arrangements	Procurement	15	As above	Days reallocated to Quarters 3 and 4	15	0
Records Management	Information Management	15	As above	Days reallocated to Quarters 3 and 4	15	0
Information Governance	Information Management	15	As above	Days reallocated to Quarters 3 and 4	15	0
Controlled Entities Management	Contract	15	As above	Days reallocated to Quarters 3 and 4	15	0
Mental Health & Learning Disabilities (Direct Payments)	Community Services	22	From October 2014, Social Care Mental Health service will return to the direct management of the Council rather than being contracted out. It has been agreed that there is a greater benefit at delivering this audit at a later stage after the transitional period.	NorseCare Billing	22	0
Transformation Programme	Corporate Governance	20	It has been agreed that there is a greater benefit for delivering the audit at a later stage (2015-16).	N/A	0	-20

Code of Conduct	Corporate Governance	11	It has been agreed that the audit would be more beneficial in 2016 due to few complaints, which have been resolved at early stages. The whole process has not had to be used or complaints fully escalated yet.	N/A	0	-11
Records Management	Information Management	15	It has been agreed that the audit be postponed until 2015/16 due to DNA (Digital Norfolk Ambition) being the priority for IT staff.	Review of County Hall Office Relocation, Records Movement Management	10	-5
HR - Resource Management System (Part 2)	Corporate Resources	6	Part 1 of the audit completed. However it jas been agreed that part 2 be postponed until 2015/16 when the system should be implemented.	N/A	0	-6
Budget Monitoring	Fire	17	It has been agreed that, as the roll out of Budget Manager application is at a very early stage the audit would add greater value at a later date once processes have been fully embedded.	New audits for Quarter 3 and 4	60	43
Totals		**180**			**181**	**+1**

Audit Committee

Item No 12

Report title:	**Internal Audit Plan 2014-15 for Quarters 3 and 4**
Date of meeting:	**25 September 2014**
Responsible Chief Officer:	**Interim Head of Finance**

Strategic impact

Norfolk Audit Services fulfils the internal audit function for the Council as required by the relevant regulations. 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 and its governance arrangements.

Executive summary

Recommendation:

The Committee is asked to note:

- the three year Internal Audit Strategy agreed in January remains unchanged
- the three year costing for internal audit remains unchanged, subject to any savings that the Committee may agree in year, no savings are proposed for the remainder of 2014-15 and we will actively maintain traded services and pursue new opportunities when they arise
- the top five risks (2.1), remain priorities in this plan
- there are changes to the original 2014-15 plan, being 76 days added to the later half of the year, as set out in Table 1
- the proposed audit plan meets the legislative requirement of the Accounts and Audit (England) Regulations (2011)
- the allocation of days set out in Appendix C to meet the various elements of the strategy approved by the Audit Committee on 30th January 2014
- the outline topics in Appendix B and D deliver the audit work to support the opinion; and
- the Norfolk Audit Services audit plan for Quarters 3 and 4 of 2014-15 makes adequate provision for the risks arising from organisational change, the economic downturn and that resources are sufficient to accomplish the plan.

1. Proposal (or options)

1.1 The recommendation is set out in the Executive Summary above.

1.2 The Chairman of the Audit Committee and Chief Officers Group have been consulted in the preparation of this report.

2. Evidence

2.1 The top five risk priorities of Norfolk Audit Services activity remain, with some additions (underlined):

- That sound Financial Management and Governance is in place, that there is compliance and where exceptions occur that is identified and treated in a timely manner, <u>this risk is expanded to include where services may not ensure value for money</u>
- The risks associated with transformational change in the organisation. That change objectives (organisational and financial) are met and internal controls <u>and savings</u> are maintained during and after that change
- Anti Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy)
- That assets, physical and information, are secured and controlled effectively, including data quality
- That Commissioning, Procurement and contract management are well governed and achieve value for money.

2.2 Technical details appear in **Appendix A** for information.

2.3 The plan for Quarters 3 and 4 of 2014-15 is set out in **Appendix B** (Audit Plan for Q3 and Q4) and **Appendix C** (Overall Strategy), and notes for audits in Quarters 3 and 4 in **Appendix D**.

2.4 The main changes from the original plan for quarter 3 and 4 (summarised in table 1 in **Appendix A** (Appendix A, 2.11)

2.5 The proposed plan meets relevant audit standards and has balanced the audit needs and priorities (2.1) against the resources available.

3. Financial Implications

3.1. The internal audit plan covers the risks arising from the Council's budgeted Gross Revenue Expenditure £1.412bn, Gross Income £1.103bn and Capital Expenditure of £202m as well as the Councils' Assets of £977m and matching Liabilities. (NCC Budget Book 2014-17)

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

3.3.	Norfolk Audit Services plan to deliver approved savings in 2014-15 by adhering to the planned budget and preparing for ongoing savings as required. We will actively maintain existing trading and pursue opportunities for new traded income.
3.4.	All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2014-15 has been set to deliver 90% of audits within budget.
3.5.	The costs of half yearly audit plans are communicated to the Interim Head of Finance.

4. Issues, risks and innovation

4.1. There are no implications with respect to:

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

4.2. Technical details appear at **Appendix A** for information.

5. Background

5.1. The Three Year Internal Audit Strategy and the overall Norfolk Audit Services planning approach for the 2014-15 audit plan was approved by the Audit Committee on 30th January 2014 at Item 14 within the minutes, available at the link below.
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/32/Committee/27/Default.aspx

5.2. This report explains the changes made to the Annual Internal Audit Plan for 2014-15 and provides more detail for the Committee. Audit topics have been drawn from our Audit Needs Assessment process and consultation with departmental managers.

5.3. Technical details appear at **Appendix A** for information.

5.4. Chief Officers and the External Auditors have been consulted with respect to the proposed plan.

Officer Contact

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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

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communication for all

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Appendix A

Technical Details

Section 2 details

2.1 The three year Internal Audit Strategy agreed in January remains unchanged, subject to the minor changes to quarters 3 and 4 of 2014-15.

2.2 The three year costing for internal audit remains unchanged, subject to any savings that the Committee may agree in year, no savings are proposed for the remainder of 2014-15and we will actively maintain traded services and pursue new opportunities when they arise

2.3 The costs that are externally funded have reduced in year due to less cost and therefore less income anticipated for the France Channel England Technical Assistance funding. This is mitigated by additional income and cost for the Norfolk Pension Fund.

Audit days:

2.4 This proposed Norfolk Audit Services Audit Plan for Quarters 3 and 4 of 2014-15 follows the plan for Quarters 1 and 2, approved at the January meeting, starting page 226. That plan approved a total of 1,368 audit days for the Council (after chargeable work). Quarter's 1 and 2 had 690 audit days leaving 678 for quarters 3 and 4.

2.5 During the first half of 2014-15 there have been vacancies in the team which have been managed. Less resources means under delivery of audit days in the first half of the year. That allows audit days to be carried forward and added to the later half of the year.

2.6 The revised plan for quarters 3 and 4 has an increase in 74 days due to 16 added days and 60 less overall chargeable work (in particular the France Channel England work) in the plan. This leaves a new plan for quarters 3 and 4 of 754 days, as shown in the table below:

Table 1 Reconciliation of new days to the original plan.

	Total 2014-15 IA Plan Original	Q1 and 2 Original	Q3 and 4 - Original	Change to Q3 and 4	Q3 and 4 New
Total days	1,804	810	994	16	1,010
Charged days	436	120	316	(60)	256
Council days	1,368	690	678	76	754

2.7 The additional Contractor time, valued at £20,000 is included in these projections

The Audit Opinion Work:

2.8 Appendix B sets out the resources to deliver one key element of the Strategy, the audit opinion. The 2014-15 proposed Quarters 3 and 4 Internal Audit plan takes particular account of the transitional changes impacting on the governance and internal control issues arising from the economic, budgetary and organisational changes.

2.9 Our audit planning for Quarters 3 and 4 of 2014-15 and those audits we have outlined for the remainder of the year feature audits that will provide assurance on these and other significant risks that have been identified in our audit needs assessment. Our priorities are explained in more detail below.

2.10 The top five priorities are as follows:

- Sound financial management and governance planned work includes our Core Financial Systems work – Accounts payable (cyclical),Corporate Resources - Unannounced checks of departmental cash floats, Pensions Reform and Temporary Staff, 2014-17 Budget savings (Personal Budgets), NorseCare Billing and 16-19 Grants (Appendix B)
- Transformational Change planned work includes our Corporate Governance - Transformational Programme watching brief, Improved Arrangements Looked after Children, Information Governance, DNA watching brief and wireless/VPN/Remote access (Appendix B)
- Anti Fraud and Corruption planned work includes advice and assistance to the Head of Law (Appendix C)
- Asset Security planned work includes our Asset Management audits and information management audits (Appendix B)
- Commissioning, Procurement and Contract management planned work includes Adult Education Commissioned Services, Procurement and Contracts audit topics (Appendix B).

2.11 Audits to address Transformational Change (Appendix B) are the audits that review risks arising from changes in the internal control arrangements as a result of various initiatives and changes that have taken place in the last year or so, or are likely to place in the coming year. These include risks that may arise from:

- Digital Norfolk Ambition Change Management
- Putting People First Change Management
- Increasing move towards shared services with external partners
- Ongoing budget reductions.

2.12 The Information Commissioner has recommended that larger organisations should consider Data Protection as part of their internal audit planning and the Internal Audit plan continues our work on this risk area.

Delivering the Audit Strategy:

2.13 Appendix C sets out the resource requirements to deliver the Norfolk Audit Services Audit Strategy approved in January 2014. The main changes from the original plan for quarter 3 and 4 (summarised in table 1 above) are that:

- The facilitation of the Annual Governance Statement for 2014-15 preparations have been increased from 5 days to 15 in light of the action plans in place from the 2013-14 Annual Governance Statement and to further strengthen Chief Officer and member involvement using the CIPFA Solace guidance
- The work to support the audit opinion has increased to 629 (from 593) as work was deferred from the first half of the year
- There is a small increase in the planned traded schools audit days to 14 (up from 10) as the service picks up slowly
- The chargeable days to Norfolk Pension Fund has increased to 80 (up from 50) now that the implications of the new legislation are known
- The resources needed for the France Channel England project have not been as high as anticipated as the project develops. It is anticipated that 90 days will be needed (down from 170)

2.14 Work for 30 days with respect to advice (promotion and prevention) on Anti Fraud and Corruption has been included in the strategy (Appendix B). Time has also been allowed in Appendix B to manage allegations that are received. Allegations are managed in two stages, a preliminary assessment and then, if required a formal investigation. Preliminary assessments may require significant work and can lead to an assessment report. Formal investigations will have terms of reference and a time budget.

Details of audit assignments:

2.15 Notes on key audits have been set out in Appendix D for reference. The first step in each audit is to undertake a preliminary assessment of the topic, including analytical review, then to draft and agree Terms of Reference with the client.

2.16 Our work provides an understanding of how the Council processes risk, controls and its underlying systems are related. Through our local government experience and by engaging specialist audit providers, we can relate current developments, leading practices and opportunities for improvement. We aim to further develop our approach and skill sets to provide new perspectives oh how we approach audits to add value, be a partner to the business and take an active role in transformational change through critical thinking and value creation. Additional contingency days (45) have been allowed for in Quarters 3 and 4 to support this work.

2.17 We are developing our reporting in 2014 - 2015 to set, measure and highlight cost recovery; new growth opportunity; hour efficiency; redeployment savings or risk reduction with recommendations that make ‘meaningful improvements’.

2.18 In line with organisational changes in the Council NAS has taken measures to reduce year on year the audit coverage we deliver on a risk assessed basis whilst maintaining sufficient coverage to meet the regulatory requirements. An essential part of these measures is the risk ranking of potential audit areas undertaken in consultation with clients to ensure our resources are directed at the higher risk areas. Norfolk Audit Services must ensure that resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

2.19 We continue to deliver efficiency savings within NAS and the team's audit focus is moving away from routine establishment audits to more strategic risk based audits.

2.20 We will actively maintain existing trading of our services and where new trading opportunities are identified we will actively pursue them to maximise external income.

2.21 The Annual Norfolk Audit Services Audit Plan for 2014-15 has remained flexible.

Section 4 Technical details

4.1. If appropriate systems are not in place or are not effective there is a risk of:

- the Council failing to achieve its corporate objectives
- the Audit Committee not complying with best practice and thereby not functioning in an efficient and effective manner
- not meeting statutory requirements to provide adequate and effective systems of internal audit.

4.2. These documents underpin the operational performance of Norfolk Audit Services and hence significant changes to these plans would impact on the delivery of the audit service and may put at risk the good reputation of the service. The External Auditor places reliance on the work of Norfolk Audit Services which helps to lower their fees to the Council.

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

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

4.5. The Council has in place an Anti Fraud and Corruption Strategy which is actively promoted. Norfolk Audit Services work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing.

Section 5 Technical details

5.1. Norfolk Audit Services has followed this agreed approach during the production of this second draft six month internal audit plan. Included within this approach has been a process of consultation with senior management. This has provided the opportunity for comment on any actual events and significant concerns they may have regarding risk, internal control and governance, and where relevant these have informed our planning on a risk assessed basis.

5.2. The number of overall audit days to be delivered to the Council in 2014-15 was approved in the Approach paper presented to the January meeting of the Committee at 1,368 audit days. There was also additional Contract Auditor time valued up to £20,000.

5.3. The Council must undertake an adequate and effective internal audit to meet the requirements of the Accounts and Audit (England) Regulations (2011). The proposed audit plan meets this statutory requirement. The planning also meets relevant standards (UK Public Sector Internal Audit Standards, UKPSIAS). Norfolk Audit Services must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The plan must take into account the requirement to produce an annual internal audit opinion, the relative risk maturity of the organisation and the assurance framework. Norfolk Audit Services identifies and considers the expectations of senior management, the Audit Committee and other stakeholders for internal audit opinions and other conclusions. The plan and resource requirements need to be communicated to senior managers and the Audit Committee for review and approval.

Appendix B

<u>Proposed Audit Work for Q3 and Q4 to support Audit Work Opinion</u>		
	Days	**Explanation**
Corporate Governance		
Strategic Planning	12	B/Fwd
Transformation Programme - Watching Brief	4	Planned
Review of effectiveness of the system of internal controls	15	B/Fwd
Control Self Assessments	15	B/Fwd
Area total	**46**	
Core Financial Systems		
Accounts Payable (cyclical)	19	Planned
Area total	**19**	
Corporate Resources		
Member Expenses	9	Planned
Unannounced checks of departmental cash floats	15	Planned
Pensions reform	10	Planned
Temporary staff	15	Planned
Area total	**49**	
Community Services		
14-17 Budget Savings (Personal Budgets)	20	B/Fwd
Adult Education Commissioned Services	10	Planned
Norse Care Billing	15	New
Area total	**45**	
Children's Services		
Schools		
High risk schools - last 6 months	26	Planned
Thematic School audits	20	Planned
Liaison meetings, newsletters, advice - 2nd half	8	Planned
Schools total	54	
Children's Services operational areas		
Functionality of QA team	15	Planned
Identification of service users (SEND children, LAC and those at risk - safeguarding) - including PSN system for notification from various organisations	20	Planned
Improved Arrangements LAC	20	New

16 - 19 grants	10	Planned
Children's Services operational areas total	65	
Area total	**119**	
Asset Management		
Disposal of Property	15	Planned
Desirable Portable Assets	16	B/Fwd
Inventory Management	10	Planned
Area total	**41**	
ETD		
Recycling Centre Management	15	Planned
Highways Agency Agreement	16	Planned
Smart Ticketing Project	16	Planned
Area total	**47**	
Procurement and Contracts		
Procurement		
EU Regulations	15	Planned
Public Health Procurement	15	Planned
Framework Arrangements	15	B/Fwd
Contract		
Contract Audit - County Hall	17	Planned
Contract Audit - Public Health	17	Planned
Controlled Entities Management	15	B/Fwd
Contract Monitoring - Block contracts	20	Planned
Area total	**114**	
Information Management		
Information Governance	15	B/Fwd
Paper and Telephone Communications	15	Planned
Area total	**30**	
ICT		
DNA - Watching Brief - last 6 months	10	Planned
Internal Audit Needs Assessment	1	Planned
ICT Governance Review	5	Planned
Wireless/VPN/Remote Access	5	Planned
Area total	**21**	
Health and Safety		
H & S management system (excl NFRS)	10	New
Driving at work	10	New
Area total	**20**	
Fire and Rescue Services		
Area total	**0**	

Customer Services and Comms		
Area total	**0**	
High Priority findings follow up		
Last 6 months	18	Planned
Area total	**18**	
Total (In-house) days to support opinion	**569**	
New topics Contingency (not yet discussed with Chief Officers or Finance Business Partners) • Risk Management Audit (15 days) • Contingency for Critical Thinking Audits x2 (30 days) • Value For Money topic audit (15)	60	New
	629	

Appendix C

Proposed Delivery of Internal Audit Strategy for Q3 and Q4	
(Figures in bracket are the number of days allocated to the second half of the year as stated in the plan approved at the January Committee)	**Days**
Element of Strategy	
Reporting to the Audit Committee quarterly and annually (20 days)	20
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joing Committees (5 days)	15
Provision of assurance to the Interim Head of Finance (Section 151Officer) with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees (5 days)	5
Undertaking audit work to support the internal audit opinion (593 days)	629
Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers (25 days)	41
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law (30 days)	30
Provision of chargeable Internal Audit Service to Schools (10 days - total for year)	14
Provision of an Internal Audit Service to Norfolk Pension Fund (50 days)	80
Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA (8 days)	8
Undertaking Grant Certification work particularly with respect to EU grants (28 days)	78
Setting up and delivering the Audit Authority Function to the FCE programme (170 days - total for year)	90
Gross Total	1010
Less Delivered to external Clients	256
Total to be delivered to NCC	**754**

Appendix D

Norfolk Audit Services
Proposed Internal Audit Plan 2014-15 (Detailed)

Audit Work to Support the Audit Opinion

Assurance area and audit topic	Allocated days	Brief description of the audit scope and purpose	(E)ssential (D)esirable
Corporate Governance			
Strategic Planning	12	Audit moved to Q4. Ongoing review of the management of how the main priorities in the corporate plan have been translated into departments' plans.	E
Transformation Programme - Watching Brief	4	Watching brief over governance arrangements and reporting for the overall programme of change.	E
Review of effectiveness of the system of internal controls	15	Annual review of the effectiveness of the system of internal control in the authority, including compliance checks against UK PSIAS.	E
Control Self Assessments	15	To support the development of self assessment of departmental systems of internal controls by Chief Officers	E
Area total	**46**		

Core Financial Systems			
Accounts Payable (cyclical)	19	Assurance on key computer system controls and information security.	E
Area total	**19**		
Corporate Resources			
Member Expenses	9	Assurance on controls over Member expenses submitted online and adequate retention of supporting evidence.	E
Unannounced checks of departmental cash floats	15	Assurance on controls around cash floats held by departments and teams across the county council, including offices in remote locations.	D
Pensions reform	10	High level assurance that IT systems and processes have been adjusted to ensure compliance with the new requirement brought in by the Pension Reform.	E
Temporary staff	15	Assurance on the procurement of temp and interim staff, compliance with corporate frameworks and CSO but also compliance with HMRC ruling on self-employed.	E
Area total	**49**		

Community Services

14-17 Budget Savings (Personal Budgets)	20	Assurance that mechanisms, systems and processes have been reviewed, implemented and are working effectively in order to ensure that £6m savings for Personal budgets for 14-15 will be achieved.	E
Adult Education Commissioned Services	10	Assurance that the quality of service provided by commissioned Adult Education training services is measured, monitored and reported.	D
NORSE Care Billing	15	Assurance on the controls over agreements, rates/schedules of charges, billing arrangements, debt write off and reconciliations.	E
Area total	**45**		

Children's Services

<u>Schools</u>

High risk schools - last 6 months of financial year	26	Individual school audit visits for 4 high risk schools (3 High and 1 Primary) in the last 6 months	E
Thematic School audits	20	Assurance on how schools have allocated and spent the Pupil Premium Allowance.	E
Liaison meetings, newsletters, advice - last 6 months of financial year	8		

Schools total	**54**		
<u>Children's Services operational areas</u>			
Functionality of QA team	15	Methods used to identify audit themes and functionality of the QA team to ensure it is matching the needs of Children's Services and following up on recommendations made in it's reports	E
Identification of service users (SEND children, LAC and those at risk - safeguarding) - including PSN system for notification from various organisations	20	Processes in place to identify service users within Children's Services, to ensure processes are in place to identify them for the correct support services at the correct time. To exclude troubled family identification as covered elsewhere.	E
Improved Arrangements LAC	20	To review the planning for LAC to ensure a clear plan is in place to support LAC, thus supporting the budget reductions required for this service.	E
16 - 19 grants	10	Supporting signing of the grant by Section 151 Officer	E
Children's Services operational areas total	**65**		
Area total	**119**		
Asset Management			
Disposal of Property	15	Assurance that systems and financial controls are in place and operating effectively.	E

Desirable Portable Assets	16	Assurance that management and controls are in place, operating effectively and complied with.	E
Inventory Management	10	High level review of controls	D
Area total	**41**		

ETD

Recycling Centre Management	15	To obtain assurance over the systems and financial controls for the new contract arrangement.	E
Highways Agency Agreement	16	To obtain assurance that the new HAA is operating as specified and financial and management controls are in place and complied with.	E
Smart Ticketing Project	16	To obtain assurance that systems and financial controls for the new ticketing system are in place and complied with.	E
Area total	**47**		

Procurement

EU Regulations	15	Assurance that systems and controls are in place and operating effectively to ensure EU Regulations are implemented and complied with.	E
Public Health Procurement	15	Assurance that NCC systems and controls are in place and operating effectively.	E

Framework Arrangements	15	Assurance that systems and controls are in place and operating effectively.	E
Contracts			
Contract Audit - County Hall	17	Assurance that the project is on target to be completed within timescales and budget and to specification.	E
Contract Audit - Public Health	17	Assurance that new contracts meet CSO and the supplies and services that are contracted for are received as specified.	E
Controlled Entities Management	15	Assurance that financial controls are in place and complied with over NCC controlled entities and that they are effectively managed.	E
Contract Monitoring - Block contracts	20	Assurance that block contracts in place are used and monitored effectively, providing value for money. This supports the work currently undertaken to reduce costs via improved monitoring and better use of block contracts	E
Area total	**114**		
Information Management			
Information Governance	15	Assurance that defined management structure and systems are in place to control information management.	E

Paper and Telephone Communications	15	Assurance that systems and controls are in place to manage the communication of information and that they are complied with.	E
Area total	**30**		
ICT			
DNA - Watching Brief - last 6 months of financial year	10	Delivered with in-house resources. To review the governance arrangement to support the successful delivery of the DNA project. Est 10 days	E
Internal Audit Needs Assessment	1	Annual review and refresh. Est 1 day	E
ICT Governance Review	5	Contractor management time. Scope to be further defined. Est 5 days	E
Wireless/VPN/Remote Access	5	Contractor management time. Scope to be further defined. Est 5 days	E
Area total	**21**		
Health and Safety			
Health and Safety Management System	10	Assurance that systems, procedures and controls are in place and complied with.	E
Driving at work	10	Assurance that systems, procedures and controls are in place and complied with.	E
Area total	**20**		
Fire and Rescue Services			
Area total	**0**		

Customer Services and Comms			
Area total	**0**		
High Priority findings follow up			
Last 6 months of financial year	18	Follow up of management action on findings issued in previous audit reports and given a high priority rating.	E
Area total	**18**		
Discussed with Chief Officers	**569**		
New topics Contingency (Appendix B)	60		
Total Q3 and Q4 days to support opinion	**629**		

Audit Committee

Item No 13

Report title:	**Work Programme**
Date of meeting:	**25 September 2014**
Responsible Chief Officer:	**Interim Head of Finance**

Strategic impact

The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.

Recommendation:

In accordance with its Terms of Reference the Committee should consider the programme of work set out below.

January 2015	
NAS Quarterly Report Quarter ended 30 September 2014	Interim Head of Finance
Risk Management Report	Interim Head of Finance
NAS: Review of NAS Terms of Reference, Code of Ethics and Strategy	Interim Head of Finance
A Half yearly update of the Audit Committee	Chairman
NAS Audit Plan for the first half of 2015-16	Interim Head of Finance
Audit Committee Terms of Reference	Chairman
Anti-Fraud and Corruption Update	Head of Law
Certificate of Claims and Returns Annual Report 2013-14	Interim Head of Finance/External Audit
External Audit Update Report	Interim Head of Finance/External Audit
Audit Committee Work Programme	Chairman
April 2015	
NAS Quarterly Report Quarter ended 31 December 2014	Interim Head of Finance

Risk Management Report	Interim Head of Finance
External Audit - Audit Plan	Interim Head of Finance/External Audit
Chairman's Annual Report	Chairman
Audit Committee Work Programme	Chairman
June 2015	
NAS Quarterly Report Quarter ended 31 December 2014	Interim Head of Finance
Monitoring Officer Annual Report 2013-14	Head of Law
Annual NAS Report 2012-13	Interim Head of Finance
Statement of Accounts 2013-14 Update	Interim Head of Finance
Annual Governance Statement and the Review of the Effectiveness of the Governance Framework, including the System of Internal Control 2013-14	Interim Head of Finance
Risk Management Report	Interim Head of Finance
Anti-Fraud and Corruption Update	Head of Law
Audit Committee Work Programme	Chairman

Officer Contact

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

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

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IN TRAN communication for all

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