



NORFOLK
CONSTABULARY
Our Priority is You

**THE CHIEF CONSTABLE OF
NORFOLK CONSTABULARY**

STATEMENT OF ACCOUNTS

31 March 2020

DRAFT

Statement of Accounts
for the year ended 31 March 2020

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INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORFOLK

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Statement of Responsibilities for the Statement of Accounts

The Chief Constable of Norfolk Constabulary's Responsibilities

The Chief Constable must:

- Arrange for the proper administration of the Chief Constable's financial affairs and ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer of the Chief Constable.
- Manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts;
- Ensure that there is an adequate Annual Governance Statement.

Approval of Statement of Accounts

I approve the following Statement of Accounts:

Simon Bailey

Chief Constable of Norfolk Constabulary

The Chief Finance Officer (CFO) of the Chief Constable Responsibilities

The Chief Constable's CFO is responsible for preparing the Statement of Accounts for the Chief Constable of Norfolk Constabulary in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards ("the Code").

In preparing this statement of accounts, the CFO of the Chief Constable has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code and its application to local authority accounting.

The CFO of the Chief Constable has also:

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

Certified by Chief Finance Officer of the Chief Constable of Norfolk Constabulary

I certify that this statement of accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Chief Constable of Norfolk Constabulary at 31 March 2020, and its income and expenditure for the year to that date.

Peter Jasper ACMA, Assistant Chief Officer

Narrative Report

Introduction

This Narrative Report provides information about Norfolk Constabulary, including the key issues affecting its accounts. It also provides a summary of the financial position at 31st March 2020 and is structured as below:

1. The policing context for Norfolk
2. Impact of the governance arrangements on the Financial Statements of the PCC and Chief Constable
3. Explanation of the Financial Statements
4. The 2019/20 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Impact of Covid-19 pandemic
8. Looking forward

1. The policing context for Norfolk

Information about the Office of the Chief Constable of Norfolk

Under the Police Reform and Social Responsibility Act 2011 (the Act) the Police and Crime Commissioner for Norfolk (PCC) and the Chief Constable of Norfolk Constabulary were established as separate legal entities. Corporate governance arrangements for the PCC and Chief Constable have been reviewed and a commentary on their effectiveness is set out in the joint Annual Governance Statement for the PCC and Chief Constable which is published alongside these Statements of Accounts.

The responsibilities of the Chief Constable, determined by the Act, include:

- Supporting the PCC in the delivery of the strategy and objectives set out in the Police and Crime Plan;

¹ <https://www.norfolkinsight.org.uk/population/>

- Assisting the PCC in planning the force's budget;
- Having regard to the Strategic Policing Requirement when exercising and planning their policing functions in respect of their Force's national and international policing responsibilities;
- Being the operational voice of policing in the force area and regularly explaining to the public the operational actions of officers and staff under their command;
- Entering into collaboration agreements with other Chief Constables, other policing bodies and partners that improve the efficiency or effectiveness of policing and with the agreement of their respective PCC;
- Remaining politically independent of their PCC;
- Exercising the power of direction and control in such a way as is reasonable to enable their PCC to have access to all necessary information and staff with the force;
- Having day to day responsibility for financial management of the force within the framework of the agreed budget allocation and levels of authorisation issued by the PCC.

For accounting purposes, the PCC for Norfolk is the parent entity of the Chief Constable of Norfolk and together they form the PCC for Norfolk Group.

The County of Norfolk

Norfolk is the fifth largest county in England with a land area of 2,074 square miles with approximately 100 miles of coastline. The estimated population of Norfolk was 903,680 (2018 ONS estimate). Although a predominantly rural area, around 40% of Norfolk's population live in the four main urban areas of Norwich, Great Yarmouth, King's Lynn and Thetford.

Norfolk has a much older age profile than England as a whole, with 24.0% of Norfolk's population aged 65 and older compared with 20% in England (2018 estimate). Over the next twenty years there is a projected growth of 105,000 people in Norfolk with those aged 65+ making up almost a third of the population ¹.

Norfolk is a popular tourist destination, and in 2018 the county received 3.1m overnight visitors per year and 47.8m day trips were made. The number of jobs in the county's tourism sector in 2018 was 67,000, accounting for 19% of all employment². Norfolk's visitor economy in 2018 was calculated at £3.34bn. The transient populations associated with tourism impact on the policing of Norfolk to varying extents at different times of the year. Other significant employers in the Norfolk economy include the public sector, agriculture, retail and engineering. Tackling crime within rural communities has been highlighted as one of the priorities in the Police and Crime Plan recently issued by the Police and Crime Commissioner. Norfolk Constabulary supports hundreds of events throughout the year, Norwich City football matches, Norwich Pride, Sundown music festival and numerous other local carnivals and occasions. Clearly, the outbreak of Covid-19 has seen a suspension of such events, and more reference is made to the required changes to operational policing in Section 8 of this report.

There are areas with high flood risk within Norfolk, namely Great Yarmouth, the Norfolk Broads, the outskirts of Norwich (River Yare) and the coastal areas of North Norfolk and King's Lynn. A large area of West Norfolk is at medium to low risk of flooding. The road network in Norfolk comprises A and B roads with no motorways. Both pose challenges, again impacting on the policing of the county. Road safety is another focus of the current Norfolk Police and Crime Plan.

Changing demand

Demand for policing in Norfolk has changed over recent years. There has been a shift from traditional crime like burglary, vehicle offences and criminal damage, towards less visible but significantly more harmful criminal activity. Domestic violence, serious sexual offences, exploitation of vulnerable children and adults and online crime are all increasing. With this comes an increase in the cost of dealing with complex criminal investigations and providing support to the victims, for whom the effect of these crimes can be life-changing.

²<https://mediafiles.thedms.co.uk/Publication/ee-nor/cms/pdf/Economic%20Impact%20of%20Tourism%20-%20Norfolk%20Report%202018.pdf>

In addition, the Constabulary is increasingly being called upon to deal with a range of social issues that do not reflect the core policing role. A primary example of this is mental health, which is linked to around 20% of the calls for services received.

Dealing with this change in demand continues to present a significant challenge for the Constabulary, as the organisation strives to maintain the highest level of service to the communities of Norfolk, with the financial legacy of constrained funding.

To respond to this the Constabulary continues to shape its future through the Norfolk 2020 change programme. Norfolk 2020 is an in-depth review of frontline policing and the changes required to deliver services effectively now, and in the future, against the backdrop of funding and changing demand.

The review, commissioned in 2015, is continuing to drive out efficiencies by better demand management and identification of the most effective ways to deliver services in the future, protecting individuals and communities from harm.

While in the short term changes in demand have been seen as a result of the Covid-19 pandemic, see section 8 of this report, work remains ongoing to continuously improve the efficiency of policing over the medium to long term.

Collaboration and partnership working

The Police Reform and Social Responsibility Act 2011 places duties on chief officers and policing bodies to keep collaboration activities under review and to collaborate where it is in the interests of the efficiency and effectiveness of their own and other police force areas.

Norfolk Constabulary's preferred partner for collaboration is Suffolk Constabulary. A joint strategy exists which outlines the collaborative vision for Norfolk and Suffolk, and provides a strategic framework within which collaborative opportunities are progressed.

The two police forces have been collaborating for over a decade, with the programme of collaborative work delivering an extensive number of joint units and departments that encompasses most functions except local policing and includes areas such as major investigation, protective services, custody, criminal justice and back office support functions. The partnership has also yielded significant savings for both forces and received praise from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

Areas of collaboration outside of Norfolk/Suffolk include Eastern Region Special Operations Unit (ERSOU), a specialist unit with a remit for tackling serious and organised crime in the Eastern Region. ERSOU comprises resources from the following police forces: Norfolk, Suffolk, Essex, Cambridgeshire, Bedfordshire, Hertfordshire and Kent.

There is also a 7 Forces Strategic Collaboration Programme currently working on other areas for wider collaboration, convergence and savings. In January 2020 a 7 Force Commercial Procurement team has been fully implemented and is now overseeing all procurement activity across all the 7 forces, making sure all opportunities for savings and efficiencies are exploited.

Norfolk is also part of a well established 10 force consortium for insurance known as the South East and Eastern Regional Police Insurance Consortium (SEERPIC).

The Policing and Crime Act 2017 received Royal Assent on 31st January 2017. The Act includes a duty, in England, for emergency services to collaborate. It also gives enabling powers for PCCs in England to take responsibility for the governance of their local fire and rescue services. The Norfolk Office of the PCC retained consultants who prepared an independent report on the options open to the PCC for taking responsibility for the Fire and Rescue Service. The conclusion of the report was that the 'Governance Model' should be examined in a full business case and work commenced on this in March 2018.

The business case sets out the details of the proposal to adopt the new Governance Model, based on the Government's statutory test of being in the interest of improving economy, efficiency and effectiveness, while maintaining and where possible improving public safety.

Following extensive public consultation, the business case for change has been reassessed against the critical success factors. As a result, the Governance Model does not currently offer the best balance of benefits and risks, primarily due to the high risk of failure to deliver the project due to lack of stakeholder consensus. The project is 'paused' at this time.

Within this context, Norfolk Constabulary and Norfolk Fire and Rescue Service continue to strengthen their working relationship and the Fire Control Room has moved in alongside the Police Control Room and a number of other collaborative working arrangements, such as sharing of estate have or are being worked on.

Norfolk Constabulary is committed to working in partnership with public, private and third sector agencies to tackle issues of crime and disorder. This is demonstrated through roles in critical partnership initiatives such as the Community Safety Partnership, Norfolk 180 and Early Help Hubs. Norfolk Constabulary is committed to finding long term sustainable solutions to problems of crime and disorder, working together with partners and the communities in an evidence-based problem-solving way and supporting innovation at a local level.

2. Impact of the Governance Arrangements on the Financial Statements of the PCC and Chief Constable

The International Accounting Standards Board framework states that assets, liabilities and reserves should be recognised when it is probable that any future economic benefits associated with the item(s) will flow to, or from, the entity. The PCC has responsibility for the finances of the whole Group and controls the assets, liabilities and reserves. With the exception of the liabilities for employment and post-employment benefits, referred to later, this would suggest that these balances should be shown on the PCC's Balance Sheet.

The Scheme of Governance and Consent sets out the roles and responsibilities of the PCC and the Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents, all contracts and bank accounts are in the name of the PCC. No consent has been granted to the Chief Constable to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

The PCC receives all income and makes all payments from the Police Fund for the Group and has responsibility for entering into contracts and establishing the contractual framework under which the Chief Constable's staff operates. The PCC has not set up a separate bank account for the Chief Constable, which reflects the fact that all income is paid to the PCC. The PCC has not made arrangements for the carry forward of balances or for the Chief Constable to hold cash backed reserves.

Therefore, the Chief Constable fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the PCC. The Chief Constable ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over the force's police officers and police staff. It is recognised that in exercising day-to-day direction and control the Chief Constable will undertake activities, incur expenditure and generate income to allow the police force to operate effectively. It is appropriate

that a distinction is made between the financial impact of this day-to-day direction and control of the force and the overarching strategic control exercised by the PCC.

Therefore, the expenditure and income associated with day-to-day direction and control and the PCC's funding to support the Chief Constable is shown in the Chief Constable's Accounts, with the main sources of funding (i.e. central government grants and council tax) and the vast majority of balances being shown in the PCC's Accounts.

Notably it has been decided to recognise transactions in the Chief Constable's Comprehensive Income and Expenditure Statement (CIES) in respect of operational policing, police officer and staff costs, and associated operational income, whilst liabilities for employment and post-employment benefits have been transferred to the Chief Constable's Balance Sheet in accordance with International Accounting Standard 19 (IAS19).

The rationale behind transferring the liability for employment benefits is that IAS19 states that the employment liabilities should follow employment costs. Because employment costs are shown in the Chief Constable's CIES, on the grounds that the Chief Constable is exercising day-to-day direction and control over police officers and employs police staff, it follows that the employment liabilities are therefore shown in the Chief Constable's Balance Sheet.

The Accounting Policies are disclosed in Note 1 of the Notes to the Financial Statements.

3. Explanation of financial statements

The 2019/20 Statement of Accounts for the Chief Constable are set out on the following pages. The purpose of individual primary statements is explained below:

- **The Comprehensive Income and Expenditure Statement (CIES)** 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. Adjustments made between the accounting and funding bases are shown in the Movement in Reserves Statement.
- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets of the Chief Constable (assets less liabilities) are matched by the reserves held by the Chief Constable.
- **The Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the Chief Constable. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- **The Cash Flow Statement** shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Chief Constable generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, all cash is held by the PCC for Norfolk so the cash flow statement for the Chief Constable shows the net deficit on the provision of services as non-cash movements.

Please note that occasionally minor differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies. There have been some minor presentational changes to some notes in an effort to simplify them.

4. The 2019/20 Revenue and Capital Budget Process

A joint financial planning process took place between September 2018 and January 2019 in accordance with an agreed timetable. An enhanced Service and Financial Planning process took place using Outcome Based Budgeting (OBB) principles.

OBB is a method for aligning budgets to demand, performance, outcomes and priorities. This process is informed by the Force Management Statement that reviews the services provided by the Constabulary, estimates future demand, and assesses the readiness of each function to meet that demand and deliver on required outcomes and performance levels. This information is then lined up against the priorities and demands of the PCC. This allows projects to be developed to target areas that can be made more efficient, and those areas requiring more investment.

These outcomes were then reviewed by a Joint Chief Officer Panel against the OBB principles and decisions made about limiting growth and increasing savings.

These outputs were then presented to the Joint Chief Officer Team, and further refined after these sessions. Finally, the outcomes of the process were presented to the PCC. The process concluded with agreement on Norfolk only budgets, the agreement of joint budgets, costs and savings arising from the process to be included in spending plans.

In accordance with the requirements of Section 96 (1) (b) of the Police Act 1996, as amended by section 14 of the Police Reform and Social Responsibility Act 2011, the PCC has an obligation to consult with business rate payers and there is also a general responsibility to consult with the public.

The PCC launched the consultation for the 2019/20 police budget which ran for 4 weeks. The consultation took the form of an online and hard copy survey and an intensive programme of media, communications and engagement activity.

The results were collated towards the end of January 2019 and presented by the PCC to the Police and Crime Panel at its meeting on 5 February 2019.

These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2019/20 to 2023/24 and was signed off in February 2019.

The Medium-Term Financial Plans for the PCC are available at www.norfolk-pcc.gov.uk

5. Financial Performance

Savings plans

The Chief Constable has run a well-established and effective change programme over recent years. The programme was initially developed to address the savings requirements arising from the spending reviews of 2010 and 2013 that covered the period up to 2015/16, and is still required to deal with the spending challenges from inflation, increasing demand, the changing nature of crime, increasing legislative and regulatory cost pressures and ongoing investment in modernising the Constabulary through improved digital infrastructure and technology.

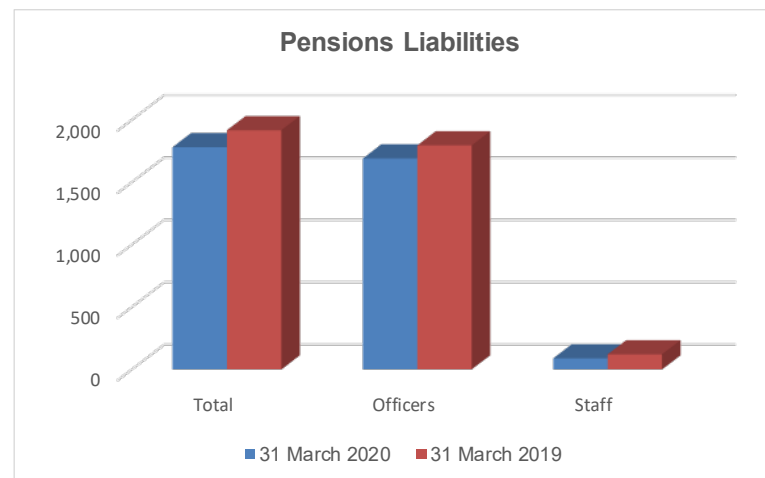
Savings plans of £2m were identified for 2019/20, and those savings have been achieved. The PCC and Chief Constable are jointly committed to providing the best possible policing service across Norfolk whilst at the same time increasing efficiency and reducing costs. This commitment is evidenced by the most recent HMICFRS assessment that judged the Constabulary as “Outstanding” in terms of its efficiency.

There is more information about the impact of the Home Office settlement for 2020/21 and what this means for the Constabulary over the medium-term in the Looking Forward section below. There is a risk that some of the savings planned in 2020/21 may be delayed by the impact of the Covid-19 pandemic, and this will be kept under constant review through the current governance arrangements that are still running and are still effective.

Long Term Liabilities

Pension Liabilities

There are three separate pension schemes for police officers and one scheme for police staff. Although benefits from these schemes will not be payable until an officer or staff member retires, the Chief Constable has a future commitment to make these payments and under International Accounting Standard 19 (IAS19) is required to account for this future commitment based on the full cost at the time of retirement. The future net pension liabilities of the Chief Constable as calculated by an independent actuary are set out in the following table:



These liabilities result in the Balance Sheet showing net overall liabilities of £1,782m at 31 March 2020, however, the financial position of the Chief Constable remains sound as these liabilities will be spread over many years.

The value of the LGPS pension fund assets is calculated by the actuary as part of the formal triennial valuation process, and rolled forward to the balance sheet date, allowing for any movements in the year. These movements include investment returns, which may be estimated where necessary. The 2019/20 figures incorporate actual returns for the period 1 April 2019 to 29 February 2020 and an estimated Fund return of -10.1% for the month to 31 March 2020. Investment returns have been significantly lower than expected, particularly in the last two months of the accounting period, primarily as a result of the Covid-19 worldwide pandemic. There is therefore uncertainty inherent in current and future estimates for investment returns and asset values due to the continuing crisis, at the publication date it is not possible to reflect the full financial impact within the Statement of Accounts.

Reserves

The Chief Constable does not hold any usable reserves.

Annual Governance Statement

The Accounts and Audit Regulations 2015 require the Annual Governance Statement (AGS) to accompany the Statements of Accounts. The AGS can be found on the Constabulary website at www.norfolk-police.uk

6. Non-financial Performance

Like most police forces in England and Wales, crime reported to and recorded by Norfolk Constabulary has risen. In the 12 months to the end of March 2020 there were 65,971 recorded crimes, 12% more than the long-term average. These increases reflect considerable efforts made by officers and staff to encourage reporting from victims of ‘hidden’ crimes, and those from parts of the community which have not normally reported crime frequently. The Constabulary has also invested resources in ensuring its recording of crime is as comprehensive as possible. The result of these strategies has been rises in recorded violence, sexual crime and domestic abuse. It should be noted that once Covid-19 lockdown measures were applied in the UK, there has been a reduction in reports crime – please refer to Section 8 of this report for more details.

The Constabulary continues to prioritise services to vulnerable and at risk victims, targets perpetrators who cause the highest harm, continues robust operational responses to the threat of ‘county lines’ organised crime groups, tackles modern slavery, and targets sexual crimes against adults and children. Collaborations with Suffolk Constabulary, the regional special operations unit (ERSOU), the seven force collaboration and other Norfolk agencies and voluntary organisations, and investments in modern technologies such as automated number plate recognition, mobile computing devices and body worn video cameras are critical parts of these responses.

The Constabulary also continues to prioritise community issues through investment in Beat Managers and Community Engagement Officers. The Norfolk 2020 project continues to develop evidence based initiatives to reduce demand and improve efficiency enabling officers to spend more time engaging with communities and responding to local needs. As a result, public confidence in the Constabulary remains high and anti-social behaviour has fallen substantially.

The Police and Crime Plan 2016-2020 lists the PCC’s priorities for tackling crime in Norfolk:

- Increase visible policing
- Support rural communities
- Improve road safety
- Prevent offending
- Support victims and reduce vulnerability

- Deliver a modern and innovative service
- Good stewardship of taxpayers’ money.

The following table shows the ‘year-end’ position for some of the more easily available Police and Crime Plan key performance indicators where prior year data is available. Full details will be published in the PCC’s Annual Report in the autumn.

Area	Indicator	2018/19	2019/20
Domestic Abuse	<i>Number of crimes</i>	9,674	11,424
	<i>Solved rate</i>	15%	12%
Serious Sexual Offences	<i>Number of crimes</i>	1,979	2,350
	<i>Solved rate</i>	7%	6%
Child Sexual Abuse	<i>Number of crimes</i>	1,437	1,647
	<i>Solved rate</i>	10%	7%
Hate Crime	<i>Number of crimes</i>	1,086	1,105
	<i>Solved rate</i>	18%	15%
Online Crime	<i>Number of crimes</i>	1,390	1,555
	<i>Solved rate</i>	13%	11%
Call Handling	<i>% 999 calls answered in 10 seconds</i>	91%	90%
Emergency Response	<i>% of emergencies responded to in target time</i>	90%	89%
Road Safety	<i>Number of KSI collisions</i>	418	416

Demands on the Constabulary have changed in nature in recent years. Acquisitive crimes have reduced, while crimes such as domestic abuse and child sexual exploitation have risen. Rises in crime and reductions in solved rates reflect this changing demand, as does the focus of the Police and Crime Plan. The Force continues to prioritise the most harmful crime types alongside initiatives that focus on community priorities such as rural crime, business crime and responding to emergencies. The Force’s performance in call handling and emergency response remains strong and public confidence that the Constabulary is doing a good job is consistently in the top ten highest of any force in England and Wales.

7. Impact of Covid-19 Pandemic

Covid-19 has had a major impact on everyone's lives within the United Kingdom, as well as on every sector of the economy. In the build up to lockdown on 23 March, significant changes were made to the policing model in Norfolk, and since lockdown commenced these arrangements have been maintained. Clearly most of these have seen an impact in the financial year 2020/21 rather than in the reporting period covered by these accounts, but certain issues are highlighted within these accounts, here in the Narrative Report but also in the body of the accounts.

This section outlines key issues for the Constabulary.

Provision of services and impact on workforce

As a result of the Covid-19 pandemic the Constabulary have established a specific command model to focus specifically on our response to the disease. This command structure has been set up in collaboration with Suffolk Constabulary and enables a consistent approach to our activity both in each force and across the extensive "joint" collaborated services. This command structure operates a Gold-Silver-Bronze model with Gold Command operating across both forces, and a Silver Command nominated in each force. A Strategic Gold plan has been written which is then implemented by the Silvers at a tactical level. Each Silver has designed a set of Silver principles that form a plan which then governs the tactical response in each county.

Force sickness levels have been monitored on a daily basis and all officers and staff who are symptomatic remain off work for the required 7 days. Clear guidance has been provided to those living with someone displaying symptoms about the requirement to self-isolate for 14 days and those deemed vulnerable and in receipt of a Government letter, have been provided laptops to enable them to effectively work from home. In more recent times an approach to testing has been introduced to ensure all those eligible have access to this service, improving the accuracy of sickness levels and enabling a swifter return to work of people not infected with the disease. It has been surprising that the force sickness levels have been much lower than expected although business continuity planning had been completed to enable a graduated response to service delivery should this have been required.

The organisation has been forced to quickly adapt to the pandemic and also the Government regulations in relation to stay at home messaging and their directions in relation to social distancing. Operational activity has had to be changed quickly and business as usual processes have been amended to ensure the safety of officers and the community are paramount. Whilst some activities have continued, some approaches have needed to be modified to ensure compliance with these regulations. Examples of these include amendments to arrest and interview policies and the extension of agile working to ensure people are equipped with appropriate technology to enable them to work from home where their role permits it.

Owing to the changes which have taken place across the county other changes have resulted for the Constabulary. When the Government took the decision to close schools, this resulted in our Safer Schools Partnership team being redeployed to support other areas within the force. Owing to the restrictions of social distancing, a large number of home visits which would normally be taking place by officers and staff with both offenders and victims have had to be conducted in other ways, such as via phone, via Skype or from outside in the garden.

The impact of the restrictions have resulted in reductions in crimes being reported to the Constabulary and there are concerns that a number of people, notably those suffering domestic and sexual abuse in the home, are less able to make contact with agencies to report concerns. As a result, various methods have been adopted in an attempt to facilitate this contact such as online chat, newsletters for school children and videos for children providing guidance on staying safe online, all undertaken in collaboration with partners across the county.

Service provision from a Constabulary back-office perspective has been less impacted than the operational services. Business continuity plans have worked well, and naturally there has been a focus on provision of critical support. There has been a change freeze imposed, most projects have been put on hold, and demand on the back-office has been managed through the Gold, Silver and Bronze structures. As a result of this many functions have been able to remain providing a similar level of business as usual service to that provided pre-pandemic. For instance, the fleet is still being serviced, the estate maintained for everyday use, improvements have been made to enabling applications to support home working, staff and officers have been paid on time, supplier payments are still being made,

and the statutory accounts preparation has been completed in line with original deadlines.

From a back-office perspective, when lockdown was announced, arrangements were put into place for those in the vulnerable categories to remain at home and in addition those that could work from home (both vulnerable and non-vulnerable) were instructed to do so. Rotas were established for services that needed an on-premise presence, and arrangements were put in place to provide physical distancing for those that had to remain on site. During the time of lockdown additional laptops have been acquired to increase the number of people working from home.

A limited number of staff that were deemed non-essential were stood down, and asked to remain at home. When the extension of lockdown arrangements was announced, business continuity plans were reviewed and some roles recommenced, while some staff were asked to undertake other work where they had the skills to do so. These arrangements continue to be kept under constant review.

Those working from home have been given flexibility to work around their family priorities, and in terms of responding to children being at home due to school closures.

At the time of writing (May 2020), a Recovery Cell is being established that will be looking at transition to a new normal, both in terms of restoring business as usual for operational / back-office functions as lockdown restrictions are reduced, but also the longer-term working models after the pandemic has been managed and restrictions lifted.

Supply chain impact from Covid-19

The Covid-19 outbreak is having a significant effect on global supply chains; a slowdown in production in other regions of the world may impact on our ability to secure sufficient supplies or lead times will be extended. Many of our supplies originate from or have components / elements (vehicles / IT equipment) manufactured in the Far East, which flow west. It is anticipated that it will be some time before supply chains are fully re-established again as countries emerge out

of lockdown but still have various restrictions that prevent manufacturing delivering at the volumes previously expected. There have also been issues with shipping containers being impacted by lockdowns creating shortages elsewhere in the world delaying the movement of products.

Emerging from this, suppliers are re-evaluating supply chains so as to become less reliant on one market and to build in resilience into their offering. To do this, we will see some manufacturing moving to areas where the overheads are higher and thus in the longer term it is possible that prices will increase.

As with every frontline service, the supply of Personal Protective Equipment (PPE) has been a challenge, and in the early response to the pandemic the provision of PPE was not adequate for policing. Significant work has since been done in the region, via the 7 Force Procurement function to secure an improved supply chain for PPE in this region and as a consequence Norfolk Constabulary is now in a good position.

Supply chain issues related to construction work, have led to most of the major estate developments to be put on hold, although some minor works are able to be progressed. There is an indication that some improvements in the supply of construction materials will be seen soon and consideration will then be given to prioritisation of works, and ensuring suitable physical distancing arrangements are able to be maintained.

Alongside many other organisations, the constabulary has looked to increase the number of laptops within its asset base. Again, in the early weeks of the outbreak within the UK, lead in times for delivery of laptops was extended. Lead in times have now settled and regular orders are being placed to ensure continuity of supply, and the ratio of laptops to desktops is being reviewed in terms of future provision. There are potential risks regarding provision of core switches, firewalls, storage and servers during 2020/21 and this situation will be kept under review.

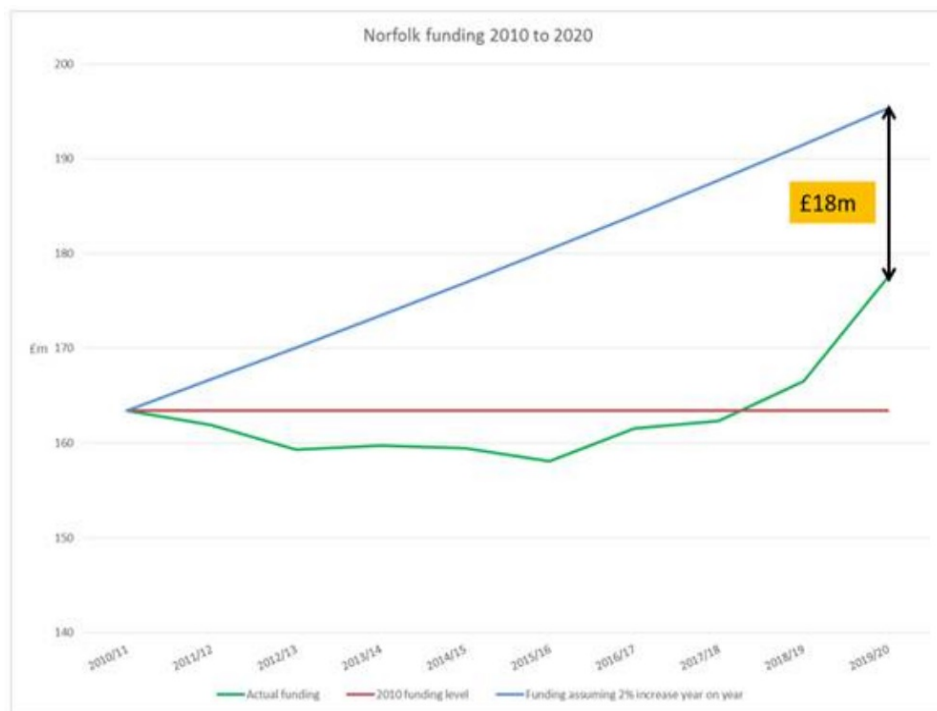
In terms of the supply of vehicle parts, as indications were given that lockdown was likely to be initiated, some forward buying of parts was undertaken to mitigate the risk of breaks in the supply chain. This action was prudent, and subsequent issues with supply have been seen. Generally, all components are now available. Some components are being sourced from different dealerships around the region and in

some cases direct from the manufacturer. Where previously components were obtained either the same or following day there can now be an additional day or two added to the lead in time. However, this is manageable. There has been no significant impact upon uniform as good stock levels are maintained and suppliers have been largely unaffected. As with vehicle components additional lead in time is being experienced.

8. Looking Forward

The police service has been through 10 years of austerity. The chart below shows the amount of cash received by Norfolk Constabulary from the main Home Office grant, precept from households in Norfolk, plus all specific grants. Cash levels only exceeded those of 2010/11 for the first time in 2018/19. The blue line represents the amount of money the force would have received if their grants and precept had risen broadly in line with inflation of 2% each year.

This shows that the force has absorbed approximately £18m of inflation over that time. When you add the impact of other statutory and legislative changes that have increased costs to the organisation (e.g. increases to National Insurance, Pensions, Insurance tax, the introduction of the Bail Act) and further add in the changing nature of crime that requires more expensive investigations, the amount the force has absorbed is significantly higher.



Every year, cashable savings and efficiencies have been identified. The savings help to finance the demand pressures, cover inflation costs and balance the budget. To the end of 2019/20 Norfolk Constabulary has saved nearly £35m and in the new MTFP period 2020/24 savings of nearly £2m have been identified. This brings total savings to nearly £37m (annually recurring) over the last 10 years.

The General Election, on 12th December 2019, returned a Conservative majority. As a result, the planned funding of 20,000 additional officers (known as Operation Uplift) across Police Forces in England and Wales is now being taken forward. The funding of the first 6,000 officers was announced in the Spending Round 2019 by the then Chancellor Sajid Javid on the 4th September 2019. The first year of funding that is being allocated directly to PCCs is £700m nationally, with £168m being ringfenced for the recruitment of officers. This is the largest increase in funding to police for a decade and was welcome following a decade of austerity.

The table below provides a comparison between the 2020/21 grant settlement and 2019/20 figures.

	2019/20	2020/21	Variance	
	£000	£000	£000	%
Police Core Grant	79,524	85,476	5,952	7.5%
Ringfenced Grant (Op Uplift)	0	1,879	1,879	-
Legacy Council Tax Grants	9,305	9,305	0	0%
Total all Grants	88,829	96,660	7,831	8.8%

In addition, PCCs were given the flexibility to increase the precept by up to £10 per annum without the need to go to a referendum. Following a period of consultation with the public, and on the basis the majority of people supported that level of increase, the PCC took the decision to raise the precept by the maximum allowed. By doing this, the PCC has been able to provide additional funding of £1.5m to the Constabulary to invest in and improve services for the communities of Norfolk.

However, the settlement did not outline the levels of future funding, and it is also uncertain as to what Norfolk's allocation will be of the remaining 14,000 Uplift officers. Therefore, from a prudent basis, and due to the uncertainty of the outcome of the Spending Review and the possibility of a Funding Formula review, the assumptions for future years contained within the MTFP are a return to 2% precept limits, "cash flat" central grant funding and the loss of the Pension Grant as this is only confirmed for one more year.

Clearly, since the settlement, the country, along with the rest of the world, has been hit with the impact of the Covid-19 pandemic. The UK is in recession, and the government has a significant economic challenge to resolve over the next few months and years. The Spending Review has been put back a year, and while Uplift is expected to be continued, the funding outlook is uncertain given there could be another period of austerity required to balance the government's books. The prudent assumptions made in the MTFP are now even more appropriate. The Constabulary is now beginning the process of the new round of strategic financial planning, and will consult with the PCC in this process, and needs to take the new post Covid-19 funding risks into account. There are no going concern issues as a result, as funding to police forces will continue, but there may be risks to the levels of service currently offered.

The PCC has published the Reserves Strategy and the Capital Strategy in the new MTFP for 2020/21 to 2023/24 and these can be found at the address below:

<https://www.norfolk-pcc.gov.uk/documents/finance/budget/202021/2020-21PoliceBudget-ReportToPoliceAndCrimePanel.pdf>

The financial, economic and operational uncertainties and challenges will require the PCC and Constabulary to keep financial planning assumptions under constant review, to ensure that the financial position remains stable into the long-term and that increased efficiency is kept at the heart of these developments.

Peter Jasper ACMA

Assistant Chief Officer

Comprehensive Income and Expenditure Statement for the Chief Constable of Norfolk Constabulary for the year ended 31 March 2020

Gross Expenditure	Income	Net Expenditure		Gross Expenditure	Income	Net Expenditure
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000	Note	£000	£000	£000
			Division of Service:			
258,586	(16,135)	242,451	Constabulary	215,706	(19,331)	196,374
258,586	(16,135)	242,451	Net Cost of Police Services before group funding	215,706	(19,331)	196,374
	(170,528)	(170,528)	Intra-group funding	4	(175,091)	(175,091)
258,586	(186,663)	71,923	Net Cost of Police Services	Page 20	215,706	(194,422)
			Other Operating Expenditure:			
			Financing and Investment Income and Expenditure:			
44,189	-	44,189	Pensions interest cost	13	47,152	-
44,189	-	44,189			47,152	-
		116,112	Deficit / (Surplus) on the Provision of Services			68,435
			Other Comprehensive Income and Expenditure:			
		71,401	Remeasurements of the net defined benefit liability (i)	13		(204,562)
		71,401				(204,562)
		187,513	Total Comprehensive Income and Expenditure			(136,127)

(i) Gains of £205m arose in the year from changes in actuarial assumptions used in assessing the net pension liability, details of these movements can be found in Note 13 to these accounts.

**Balance Sheet for the Chief Constable of Norfolk Constabulary
as at 31 March 2020**

31 March 2019 £000		Notes	31 March 2020 £000
-	TOTAL ASSETS		-
762	Short-term creditors and accruals	14	1,033
762	Current Liabilities		1,033
1,916,951	Liability related to defined benefits	13	1,780,552
1,916,951	Long Term Liabilities		1,780,552
1,917,713	TOTAL LIABILITIES		1,781,585
(1,917,713)	NET ASSETS / (LIABILITIES)		(1,781,585)
-	Usable reserves	Page 18	-
(1,917,713)	Unusable reserves	Page 18	(1,781,585)
(1,917,713)	TOTAL RESERVES		(1,781,585)

The unaudited financial statements were issued on
29 May 2020.

Peter Jasper ACMA
Assistant Chief Officer
29 May 2020

Movement in Reserves Statement for the Chief Constable of Norfolk Constabulary

	Note	General Fund Balance £000	Total Usable Reserves £000	Pension Reserves £000	Comp' Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
Year Ended 31 March 2020							
Balance at 1 April 2019		-	-	(1,916,951)	(762)	(1,917,713)	(1,917,713)
Movement in Reserves during 2019/20							
Surplus or (deficit) on provision of services (accounting basis)	Page 16	(68,435)	(68,435)	-	-	-	(68,435)
Other comprehensive income and expenditure	Page 16	-	-	204,562	-	204,562	204,562
Total comprehensive income and expenditure		(68,435)	(68,435)	204,562	-	204,562	136,127
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		89,090	89,090	(89,090)	-	(89,090)	-
Contribution to the Police Pension Fund		(20,927)	(20,927)	20,927	-	20,927	-
Movement on the Compensated Absences Account		271	271	-	(271)	(271)	-
Adjustments between accounting basis and funding basis under regulations		68,434	68,434	(68,163)	(271)	(68,434)	-
Net movement in reserves		-	-	136,399	(271)	136,128	136,128
Balance at 31 March 2020		-	-	(1,780,552)	(1,033)	(1,781,585)	(1,781,585)
Balance at 1 April 2018							
		-	-	(1,729,451)	(750)	(1,730,201)	(1,730,201)
Movement in Reserves during 2018/19							
Surplus or (deficit) on provision of services (accounting basis)	Page 16	(116,112)	(116,112)	-	-	-	(116,112)
Other comprehensive income and expenditure	Page 16	-	-	(71,401)	-	(71,401)	(71,401)
Total comprehensive income and expenditure		(116,112)	(116,112)	(71,401)	-	(71,401)	(187,513)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		141,241	141,241	(141,241)	-	(141,241)	-
Contribution to the Police Pension Fund		(25,142)	(25,142)	25,142	-	25,142	-
Movement on the Compensated Absences Account		12	12	-	(12)	(12)	-
Adjustments between accounting basis and funding basis under regulations		116,111	116,111	(116,099)	(12)	(116,111)	-
Net movement in reserves		-	-	(187,500)	(12)	(187,512)	(187,513)
Balance at 31 March 2019		-	-	(1,916,951)	(762)	(1,917,713)	(1,917,713)

**Cash-flow Statement for the Chief Constable for Norfolk Constabulary
for the year ended 31 March 2020**

2018/19		2019/20
£000		£000
(116,112)	Net Surplus/(deficit) on the provision of services	(68,435)
	Adjustment for non cash or cash equivalent movements	
116,099	Movements on pension liability	68,163
12	Increase/(decrease) in revenue creditors	271
116,112	Net adjustment for non cash or cash equivalent movements	68,435
	Net increase or (decrease) in cash and cash equivalents	-
-	Cash and cash equivalents at the beginning of the reporting period	-
	Cash and cash equivalents at the end of the reporting period	-

Expenditure and Funding Analysis for the Chief Constable of Norfolk Constabulary

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link from the figures reported in the Narrative Report to the CIES.

Net Expenditure Chargeable to the General Fund Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES 2018/19	Constabulary	Net Expenditure Chargeable to the General Fund Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES 2019/20	Constabulary
£000	£000	£000		£000	£000	£000	
Year Ended 31 March							
145,387	97,064	242,451	Constabulary	154,165	42,209	196,374	
(170,528)	-	(170,528)	Intra-group funding	(175,091)	-	(175,091)	
(25,142)	97,064	71,923	Net cost of police services	(20,927)	42,209	21,283	
25,142	19,047	44,189	Other income and expenditure	20,927	26,225	47,152	
-	116,111	116,112	Deficit/(surplus) on the provision of services		68,434	68,435	
-			Opening general fund balance at 31 March	-			
-			Less deficit on general fund in year	-			
-			Closing general fund balance at 31 March	-			

Notes to the Financial Statements for the Chief Constable of Norfolk Constabulary

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1. Accounting Policies

The Statement of Accounts summarises the Chief Constable's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. Those practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (CoP), supported by International Financial Reporting Standards (IFRS).

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

Cost recognition and intra-group adjustment

Refer to Note 4 for further details.

Recognition of working capital

The Scheme of Governance and Consent sets out the roles and responsibilities of the Police and Crime Commissioner and the Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents all contracts and bank accounts are in the name of the PCC. No consent has been granted to the Chief Constable to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not in the financial period in which cash payments are paid or received.

Debtors and creditors

Revenue and capital transactions are included in the accounts on an accruals basis. Where goods and services are ordered and delivered by the year-end, the actual or estimated value of the order is accrued. With the exception of purchasing system generated accruals a de-minimis level of £1,000 is set for year-end accruals of purchase invoices, except where they relate to grant funded items, where no de-minimis is used. Other classes of accrual are reviewed to identify their magnitude. Where the inclusion or omission of an accrual would not have a material impact on the Statement of Accounts, either individually or cumulatively, it is omitted.

Employee benefits

Benefits payable during employment

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year end. The accrual is made at the most recent wage and salary rates applicable.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the entity to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the entity can no longer withdraw the offer of those benefits or when the entity recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the entity to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, 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

Officers have the option of joining the Police Pension Scheme 2015. Civilian employees have the option of joining the Local Government Pension Scheme (LGPS), administered by Norfolk County Council. Some officers are still members of the Police Pension Scheme 1987 and the New Police Pension Scheme 2006, where transitional protection applies. All of the schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Constabulary, and all of the schemes are accounted for as defined benefit schemes.

The liabilities attributable to the Chief Constable of all four schemes are included in the Balance Sheet on an actuarial basis using the projected unit credit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits (including injury benefits on the Police Schemes) earned to date by officers and employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current officers and employees.

Liabilities are discounted to their value at current prices, using a discount rate specified each year by the actuaries.

The assets of the LGPS attributable to the Chief Constable are included in the Balance Sheet at their fair value as follows:

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

All three of the police schemes are unfunded and therefore do not have any assets. Benefits are funded from the contributions made by currently serving officers and a notional employer's contribution paid from the general fund; any shortfall is topped up by a grant from the Home Office.

The change in the net pensions liability is analysed into six components:

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is debited to the net cost of policing in the Comprehensive Income and Expenditure Statement (CIES). The current service cost is based on the latest available actuarial valuation.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are debited to the net cost of policing in the CIES.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged to the Financing and Investment Income and Expenditure line in the CIES. The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. They are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the four pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the Chief Constable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that in the MIRS there are appropriations 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 Pension Reserve thereby measures the beneficial impact on 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.

Discretionary Benefits

The entity 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 injury awards for police officers) 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 Chief Constable makes payments to police officers in relation to injury awards, and the expected injury awards for active members are valued on an actuarial basis.

Events after the reporting period

Events after the reporting period 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. However 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.

Government grants and contributions

All government grants are received in the name of the PCC. However, where grants and contributions are specific to expenditure incurred by the Chief Constable, they are recorded as income within the Chief Constable's accounts. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Chief Constable when there is reasonable assurance that:

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

Amounts recognised as due to the Chief Constable are not credited to the CIES until conditions attaching 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 within creditors as government grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account.

Joint operations and joint assets

Joint operations are activities undertaken by the Chief Constable in conjunction with other bodies, which involve the use of his resources or those of the other body, rather than the establishment of a separate entity. The Chief Constable recognises the liabilities that he incurs and debits and credits the CIES with his share of the expenditure incurred and income earned from the activity of the operation.

Joint assets are items of property, plant and equipment that are jointly controlled by the Group and other bodies, with the assets being used to obtain benefits for these bodies. The joint operation does not involve the establishment of a separate entity. The Group accounts for only its share of the joint assets, and the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the arrangement.

Private Finance Initiative (PFI) and similar contracts

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.

The amounts payable to the PFI operators each year are analysed into five elements; only the fair value of the services received during the year is debited to the Chief Constable's net cost of policing in the CIES. The other elements are only shown in the PCC and Group accounts.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Chief Constable 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 Chief Constable. 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.

Reserves

The Chief Constable 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 MIRS. 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 CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS 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 Chief Constable – these reserves are explained in the following paragraph:

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with the statutory provisions. The Chief Constable accounts for post-employment benefits in the CIES 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 Chief Constable makes employer's contributions to pension funds or eventually pays any pensions for which they are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Value Added Tax

VAT payable is included as an expense or capitalised only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. Where the VAT is irrecoverable it is included in the relevant service line of the Chief Constable's CIES, or if the expenditure relates to an asset, is capitalised as part of the value of that asset. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (e.g., purchase of command platform vehicles).

2. Accounting Standards that have been issued but have not yet been adopted

The Financial Statements have been prepared in accordance with the Code which is based on International Financial Reporting Standards (IFRSs).

The amendments required to be adopted under the 2020/21 Code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
- *Annual Improvements to IFRS Standards 2015-2017 Cycle*
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2020, and these IFRSs will be initially adopted as at 1 April 2020. The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

It is not expected that the adoption of any of the standards listed above will have a material effect on the 2020/21 financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the CFO of the Chief Constable 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:

- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 2020/21 in regard of what the PCC will receive from the government and the limitations around the precept potentially exacerbated by the Covid-19 outbreak and the impact on the economy. The PCC and the Chief Constable are working together to mitigate the impact of the funding gap emerging over the period of the Medium-Term Financial Plan, the impact of which will be realised in the budget set by the PCC.
- The allocation of transactions and balances between the PCC and the Chief Constable has been set out in the Narrative Report to these accounts.
- The PCC for Norfolk has a significant number of assets including those under Private Finance Initiative (PFI) arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI) and the capital and financing costs of the provision of those assets in the PCC account. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the Chief Constable have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the Chief Constable accounts including the service charges element of the PFI.
- Costs of pension arrangements require estimates assessed by independent qualified actuaries regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.

- In respect of the LGPS police staff pension costs, separate actuarial valuations have been carried out to provide the accounting entries for the PCC and the Chief Constable in 2019/20 and are reflected in the financial statements.

4. Intra-group Funding Arrangement Between the PCC and Chief Constable

The background and principles that underpin the accounting arrangements and create the need for an intra-group adjustment have been set out in the Narrative Report.

The PCC received all funding on behalf of the Group; at no time, under the current arrangements, does the Chief Constable hold any cash or reserves. However, it is felt that to accurately represent the substance of the financial impact of the day-to-day control exercised by the Chief Constable over policing it is necessary to capture the costs associated with this activity in the Chief Constable's CIES. A consequence of this is that the employment liabilities associated with police officers and police staff are also contained in the Chief Constable's CIES and the accumulative balances are held on the Chief Constable's Balance Sheet. All other assets and liabilities are held on the PCC's Balance Sheet.

Whilst no actual cash changes hand the PCC has undertaken to fund the resources consumed by the Chief Constable. The PCC effectively makes all payments from the Police Fund. To reflect this position in the Accounts, funding from the PCC offsets cost of service expenditure contained in the Chief Constable's CIES. This intra-group adjustment is mirrored in the PCC's CIES. The financial impact associated with the costs of the employment liabilities are carried on the balance sheet in accordance with the Code and added to the carrying value of the Pensions Liability and Accumulated Absences Liability.

5. Notes to the Expenditure and Funding Analysis

Adjustments between the CIES and the General Fund

Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2018/19 £000	Constabulary Year Ended 31 March	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2019/20 £000
97,052	12	97,064	Constabulary	41,938	271	42,209
97,052	12	97,064	Net Cost of Police Services	41,938	271	42,209
19,047	-	19,047	Other income and expenditure	26,225	-	26,225
116,099	12	116,111	Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)	68,163	271	68,434

Expenditure and Income Analysed by Nature

Total 2018/19 £000	Total 2019/20 £000
Year Ended 31 March	
Expenditure	
229,671 Employee benefits expenses	186,473
28,915 Other service expenditure	29,233
44,189 Net pensions interest cost	47,152
302,775 Total Expenditure	262,858
Income	
(6,830) Fees, charges and other service income	(7,848)
(9,305) Government grants and contributions	(11,483)
(16,135) Total Income	(19,331)
286,640 Deficit/(Surplus) on the Provision of Services before Intra Group funding	243,526
(170,528) Intra group funding	(175,091)
116,112 Deficit/(Surplus) on the Provision of Services	68,435

6. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate use, 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 Chief Constable with expert advice about the assumptions to be applied. The effects 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 £201.3m.

The McCloud and Sargeant Judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. There was protection provided for older members under each scheme. The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant judgements on 27 June 2019. This means that the various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes. There is as yet no regulation around the calculation of the liabilities arising from these remedies, or what the mechanism for meeting any shortfall will be.

The value of the LGPS pension fund assets is calculated by the actuary as part of the formal triennial valuation process, and rolled forward to the balance sheet date, allowing for any movements in the year. These movements include investment returns, which may be estimated where necessary. The figure incorporates actual returns for the period 1 April 2019 to 29 February 2020 and an estimated Fund return of -10.1% for the month to 31 March 2020. Investment returns have been significantly lower than expected, particularly in the last two months of the accounting period. There is further uncertainty inherent in the estimates for investment returns and asset values due to the continuing Covid-19 global

pandemic, at the publication date it is not possible to reflect the full financial impact within these draft pre-audited Statement of Accounts.

7. Post Balance Sheet Events

Post balance sheet events have been considered for the period from the year-end to the date the accounts were authorised for issue on 2020.

Covid-19 Pandemic

Although the global Covid-19 pandemic impacted the world politically, socially and financially prior to the financial year end, the UK lockdown on 23 March 2020 continues to have far reaching implications on the organisation in every aspect of its operation. Throughout the Statement of Accounts and the Narrative Report reference has been made to the evolving impact. However, at the time of publication of these draft statements it is not possible to quantify the full impact of the crisis and to make associated adjustments to the Financial Statements. The organisation will continue to monitor the situation, liaise with its professional advisors and make adjustments where appropriate.

8. Employees' Remuneration

The number of employees and senior police officers whose remuneration exceeded £50k in 2019/20 were as follows:

	Chief Constable	
Remuneration	2019/20	2018/19
£50,000 - £54,999	6	10
£55,000 - £59,999	14	9.6
£60,000 - £64,999	2	1
£65,000 - £69,999	7	4
£70,000 - £74,999	3	1
£75,000 - £79,999	2	4
£80,000 - £84,999	2	4
£85,000 - £89,999	4	1
£90,000 - £94,999	2	2
£105,000 - £109,999	2	-
£110,000 - £114,999	-	1
£115,000 - £119,999	-	1
£120,000 - £124,999	2	-
£165,000 - £169,999	-	1
£170,000 - £174,999	1	-

"Remuneration" is defined, by regulation, as "all amounts paid to or receivable by an employee and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash."

Within the £55,000 - £59,999 band for the Chief Constable in 2018/19, 0.6 FTE relates to the Chief

Constable CFO. The CFO acted as CFO for the Chief Constable and the PCC. The 0.6 FTE relating to the Chief Constable's share of the full FTE is based on days contracted rather than salary.

In addition to the above the Accounts and Audit Regulations 2015 require a detailed disclosure of employees' remuneration for relevant senior police officers, certain statutory and non-statutory chief officers and other persons with a responsibility for management of the Constabulary. The officers listed in the following table are also included in the above banding disclosure note.

	Salaries Fees and Allowances £000	Employers Pension Contributions £000	Benefits in Kind £000	Total £000
2019/20				
Position held				
Chief Constable - Simon Bailey	171	-	-	171
Deputy Chief Constable (from 01.01.20) Temporary DCC (to 31.12.19)	124	36	-	160
Deputy Chief Constable (from 24.03.20) Temporary DCC (from 25.11.19 to 23.03.20) Assistant Chief Constable - Joint (to 24.11.19)	120	36	-	156
Temporary Assistant Chief Constable	108	27	-	135
Temporary Assistant Chief Constable (from 01.01.20)	92	27	0	119
Assistant Chief Officer	109	17	-	126
2018/19				
Position held				
Chief Constable - Simon Bailey	165	-	6	171
Deputy Chief Constable (to 01.10.18)	80	14	3	97
Temporary Deputy Chief Constable (from 25.09.18) Assistant Chief Constable (to 24.09.18)	111	26	5	143
Assistant Chief Constable	113	27	2	142
Temporary Assistant Chief Constable (from 24.09.18)	97	21	5	123
Assistant Chief Officer (from 01.02.19)	16	3	-	19
CFO (CC) - 0.6 FTE (to 31.01.19)	57	-	-	57

During 2019/20 and until 24.11.19, a chief officer from Norfolk Constabulary acted as Assistant Chief Constable (ACC) in a joint capacity, Suffolk Constabulary contributed 43.0% towards the cost of this post. From 25.11.19 this officer was seconded to Suffolk Constabulary as a Deputy Chief Constable (DCC).

From 25.11.19 a Suffolk Constabulary officer acted as a Temporary ACC in a joint capacity, Norfolk Constabulary contribute 57.0% towards the cost of this post.

From 25.11.19 another Suffolk officer acted as a DCC in a joint capacity. Norfolk Constabulary contribute 57.0% towards the cost of this post.

The Regulations also require disclosure of compensation for loss of employment and other payments to relevant police officers. No amounts were paid to the above officers in respect of these categories.

The number of exit packages with a total cost per band are set out in the table below.

Exit Package Cost Band including Payments £000	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages		Total Value of Exit Packages	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20 £000	2018/19 £000
0-20	1	12	-	1	1	13	3	143
20-40	-	3	1	1	1	4	30	106
40-60	1	-	-	-	1	-	41	-
60-80	-	2	-	-	-	2	-	122
80-100	-	2	-	-	-	2	-	175
	2	19	1	2	3	21	74	546

9. Related Parties

The Chief Constable is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable.

During 2019/20 there were no material related party transactions involving senior officers of the Constabulary, other than those included under employee's remuneration set out in Note 8 of these financial statements. All Chief Officers have been written to requesting details of any related party transactions and there are no disclosures.

Central Government has effective control over the general operations of the Chief Constable, it is responsible for providing the statutory framework within which the Chief Constable operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Chief Constable has with other parties. Income from central government is set out in Note 11 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements, these are fully disclosed in Note 15.

No other material transactions with related parties have been entered into except where disclosed elsewhere in the accounts.

10. External Audit Costs

The Chief Constable fees payable in respect of external audit services are as below. No audit fees have been payable for non audit work.

2018/19	2019/20
£000	£000
The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts	
17 The Chief Constable of Norfolk	12
17	12

The 2019/20 audit fees do not include any additional amount in respect of the 2018/19 audit. However, in 2018/19 an approved increase to the original scale fee for 2017/18 of 5.4k was included.

11. Grant Income

The Chief Constable credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

	Amount receivable for 19/20 £000	Amount receivable for 18/19 £000
Credited to Services		
Police incentivisation	248	86
Vulnerability Coordination Centre	449	371
Specific grant for police pensions	1,565	-
<u>Other specific grants</u>	<u>7,657</u>	<u>8,847</u>
	9,919	9,305

Other specific grants credited to services include £0.8m child sexual exploitation grant, £2.7m for Operation Hydrant and £4.6m for a specific Home Office grant.

12. Private Finance Initiatives

Operations and Communications Centre at Wymondham

The PCC is committed to making payments under a contract with a consortium for the use of Jubilee House, Operations and Communications Centre at Wymondham until 2037.

The actual level of payments is dependent on availability of the site and provision and delivery of services within. The estimated cost covers the contract standard facilities management provision. The contract, which is for a period of 35 years starting from 2001, has an option at contract end date to purchase the property at open market value or to negotiate with the PFI provider to extend the contract for up to a further 2 periods of 15 years, or of terminating the contract.

The PCC makes an agreed payment each year which is increased by inflation and can be reduced if the contract fails to meet availability and performance standards in any year but which is otherwise fixed.

The payment recognised in the Chief Constable accounts for the services element during 2019/20 was £1,414m (£1,517m in 2018/19). Payments remaining to be made under the PFI contract for services at 31 March 2020 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	OCC Revenue Services £000
Payable in 2020/21	1,468
Payable within two to five years	6,250
Payable within six to ten years	7,812
Payable within eleven to fifteen years	8,688
<u>Payable within sixteen to twenty years</u>	<u>3,217</u>
	27,436

Police Investigation Centres (PIC)

During the financial years 2010/2011 to 2040/2041 the Norfolk and Suffolk PCCs are committed to making payments under a contract with a consortium for the use of the six PICs. The actual level of payments will be dependent on the availability of the site and provision and delivery of services within. The contract is for 30 years. As the end of this term the properties revert to the two Groups.

Norfolk and Suffolk PCCs have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the six properties located in the two counties – this being Norfolk 58.2% and Suffolk 41.8%. The payment recognised in the Chief Constable accounts is for the net services element which during 2019/20 amounted to £1.329m (£1.579m in 2018/19). This figure includes a credit received from Cambridgeshire Police for £0.520m in respect of services provided at the Kings Lynn PIC. From October 2019 Cambridgeshire police withdrew from this arrangement.

The PCC makes an agreed payment each year which is increased 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 contract at 31 March 2020 (which exclude any availability/performance deductions or amounts receivable from Cambridgeshire Police), are shown in the following table:

	PIC Revenue Services £000
Payable in 2020/21	1,969
Payable within two to five years	7,564
Payable within six to ten years	12,850
Payable within eleven to fifteen years	14,858
Payable within sixteen to twenty years	13,530
Payable within twenty one to twenty five years	5,301
	56,073

13. Defined Benefit Pension Schemes

Participation in pension schemes

Pension and other benefits are available to all PCC and Constabulary personnel under the requirements of statutory regulations. Four defined benefit pension schemes are operated:

- a) The Local Government Pension Scheme (LGPS) for PCC and Constabulary police staff, administered by Norfolk County Council – this is a funded defined benefit scheme, meaning that the employers and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets.

From April 2014 the LGPS changed to a career average defined benefit scheme, so that benefits accrued are worked out using the employee's pay each scheme year rather than the final salary. This applies to all membership which builds up from 1 April 2014, but all pensions in payment or built up before April 2014 are protected. Employee contributions are determined by reference to actual pensionable pay and are tiered between 5.5% and 12.5%.

- b) The Police Pension Scheme (PPS) for police officers who joined before April 2006. The employee contributions are 14.25%-15.05% of salary and maximum benefits are achieved after 30 years' service. Contribution rates are dependent on salary.
- c) The New Police Pension Scheme (NPPS) for police officers who either joined from April 2006 or transferred from the PPS. The employee contributions are 11.00%-12.75% of salary and maximum benefits are achieved after 35 years' service. Contribution rates are dependent on salary.
- d) The Police Pension 2015 Scheme for police officers, is a Career Average Revalued Earnings (CARE) scheme, for those who either joined from April 2015 or transferred from PPS or NPPS. The employee contributions are 12.44%-13.78% of salary and the Normal Pension Age is 60 although there are protections for eligible officers to retire earlier. Contribution rates are dependent on salary.

All police pension schemes are unfunded defined benefit schemes, meaning that there are no investment assets built up to meet pension liabilities. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2019 as 31% of pensionable pay. A pensions top-up grant from the Home Office is received which funds contributions to a level of 21.3% and in 2019/20 a specific grant of £1.6m was received to part fund the cost of the recent change in contribution rates. The CIES is charged with the costs of injury awards and the capital value of ill-health benefits.

The PCC is also required to maintain a Police Pension Fund Account. Employer and employee contributions are credited to the account together with the capital value of ill-health retirements and transfer values received. Pensions and other benefits (except injury awards) and transfer values paid are charged to this account. If the account is in deficit at 31 March in any year, the Home Office pays a top-up grant to cover it. If there is a surplus on the account, then that has to be paid to the Home Office.

Transactions relating to post-employment benefits

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement is reversed out of the General Fund in the MiRS.

The note below contains details of the Chief Constable's operation of the Local Government Pension Scheme (administered by Norfolk County Council) and the Police Pension Schemes in providing police staff and police officers with retirement benefits. In addition, the Chief Constable has arrangements for the payment of discretionary benefits to certain retired employees outside of the provisions of the schemes.

The following transactions have been made in the CIES and the General Fund via the MiRS during the year:

	LGPS		Police Pensions Schemes	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service costs	14,968	11,994	47,670	29,930
Past service costs	73	1,343	6,250	75,670
(Gain)/loss from settlement	-	-	-	-
Financing and investment income and expenditure				
Net interest expense	3,012	2,439	44,140	41,750
Total post employment benefit charges to the surplus or deficit on the provision of service	18,053	15,776	98,060	147,350
Other post employment benefit charged to the CIES				
Return on plan assets (excluding the amount included in the net interest expense)	18,867	(5,691)	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	(9,052)	-	(53,870)	-
- Actuarial gains/losses arising from changes in financial assumptions	(39,106)	30,920	(66,700)	50,750
- Other	(13,585)	86	(41,116)	(4,664)
Total post employment benefit charged to the CIES	(24,823)	41,091	(63,626)	193,436
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	24,823	(41,091)	63,626	(193,436)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	7,246	6,821	-	-
Retirement benefits payable to pensioners	-	-	40,704	40,206
Net charge to the General Fund	7,246	6,821	40,704	40,206

Assets and liabilities in relation to retirement benefits

	Local Government Pension Scheme		Police Pension Schemes	
	2019/20	2018/19	2019/20	2018/19
Present value of liabilities	(295,875)	(337,660)	(1,691,220)	(1,795,550)
Fair value of plan assets	206,543	216,259	-	-
Total Net liabilities	(89,332)	(121,401)	(1,691,220)	(1,795,550)

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Police Pension Schemes	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening balance at 1 April	337,660	288,256	1,795,550	1,642,320
Current service cost	14,968	11,994	47,670	29,930
Interest cost	8,260	7,919	44,140	41,750
Contributions by scheme participants	2,166	2,012	8,540	7,870
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	(9,052)	-	(53,870)	-
- Actuarial gains/losses arising from changes in financial assumptions	(39,106)	30,920	(66,700)	50,750
- Other	(13,533)	21	(41,116)	(4,664)
Past service costs	73	1,343	6,250	75,670
Benefits paid	(5,561)	(4,805)	(49,244)	(48,076)
Closing balance at 31 March	295,875	337,660	1,691,220	1,795,550

Reconciliation of fair value of the scheme assets

	Funded Assets		Unfunded Assets	
	Local Government		Police	
	Pension Scheme		Pension Schemes	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Opening fair value of scheme assets at 1 April	216,259	201,125	-	-
Interest income	5,248	5,480	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	(18,867)	5,691	-	-
Other	52	(65)	-	-
Contributions from employer	7,246	6,821	40,704	40,206
Contributions from employees into the scheme	2,166	2,012	8,540	7,870
Benefits paid	(5,561)	(4,805)	(49,244)	(48,076)
Closing fair value of scheme assets at 31 March	206,543	216,259	-	-

The total net pensions liabilities of £1,781m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,782m. However, the financial position of the Chief Constable remains sound as the liabilities will be spread over many years as follows:

- The net liability on the local government scheme will be covered by contributions over the remaining working life of employees, as assessed by the scheme actuary.
- The net costs of police pensions which are the responsibility of the PCC will be covered by provision in the revenue budget and any costs above that level will be funded by the Home Office, under the change which came into effect from April 2006.

Actuarial losses on scheme assets represent the difference between the actual and expected return on assets, actuarial gains on scheme liabilities arise from more favourable financial assumptions.

The County Council is required to have a funding strategy for elimination of deficits, under regulations effective from 1 April 2005. The strategy allows deficits to be cleared over periods up to 20 years.

The Police Pension Schemes have no assets to cover their liabilities. The Chief Constable's share of the assets in the County Council Pension Fund are valued at fair value, principally market value for investments and consist of the categories in the following table.

	Fair Value of Scheme Assets			
	31 March 2020		31 March 2019	
	£000	%	£000	%
Cash and cash equivalents	5,464	2.65	5,399	2.50
Equity instruments - industry type:				
- Consumer	7,654		13,405	
- Manufacturing	6,069		11,075	
- Energy and utilities	1,851		4,842	
- Financial institutions	5,188		11,725	
- Health and care	4,794		5,204	
- Information technology	6,375		10,583	
- Other	3		8	
Sub total equity	31,933	15.46	56,841	26.28
Bonds - by Sector				
- Government	2,400		2,478	
Sub total bonds	2,400	1.16	2,478	1.15
Property - by type				
- UK property	17,772		21,407	
- Overseas property	4,070		4,132	
Sub total property	21,842	10.57	25,539	11.81
Private equity - all:	12,430	6.02	13,351	6.17
Other investment funds:				
- Equities	59,697		37,212	
- Bonds	67,299		74,881	
- Infrastructure	5,769		0	
Sub total other investment funds	132,764	64.28	112,093	51.83
Derivatives:				
- Foreign exchange	(290)		(60)	
- Other	0		617	
Sub total derivatives	(290)	-0.14	558	0.26
Total Assets	206,543	100	216,259	100

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Within the Police Schemes, the age profile of the active membership is not rising significantly, which means that the current service cost in future years will not rise significantly as a result of using the projected unit credit method.

The police officer schemes liabilities have been assessed by the Government Actuary Department and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The actuary has confirmed that for police staff, there is no reason to believe that the age profile is rising significantly. The main assumptions used in their calculations are shown below.

	Local Government Pension Scheme		Police Pension Schemes	
	2019/20	2018/19	2019/20	2018/19
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	21.7	22.1	21.9	22.7
Women	23.9	24.4	23.6	24.3
Longevity at 65 for future pensioners				
Men	22.8	24.1	23.6	24.6
Women	25.5	26.4	25.2	26.2
Rate of inflation (CPI)	1.80%	2.50%	2.00%	2.35%
Rate of increases in salaries	2.50%	2.80%	4.00%	4.35%
Rate of increase in pensions	1.80%	2.50%	2.00%	2.35%
Rate for discounting scheme liabilities	2.30%	2.40%	2.25%	2.45%
Rate of CARE revaluation	n/a	n/a	3.25%	3.60%

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 others remain constant. The assumptions of longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the following sensitivity analyses did not change from those used in the previous period.

Due to the recent ruling to deny the Government's appeal in relation to the McCloud judgement, an estimated allowance has been included in these accounts based on the calculations performed by the Government Actuary's Department. The calculated effect of the impact of the Guaranteed Minimum Pension equalisation for pensioners has also been included. The effect of both of these amendments can be predominantly seen in the Past Service Cost line for both the Police Pension Schemes and Local Government Pension Scheme in 2018/19, with 2019/20 assumption changes reflected in actuarial gains and losses.

The real impact of this increase in scheme liabilities will be measured through the pension valuation process, which determines employer and employee contribution rates. The LGPS valuation took place in 2019 and the Police Pension valuation is due to take place in 2020. Implementation of the latter valuation is planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from the above judgment is determined through pension fund regulations require a police body to maintain pension funds into which officer, employee and employer contributions are paid and out of which pension payments to retired members are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the PCC in the form of a central government top-up grant.

	Local Government Pension Scheme		Police Pension Schemes	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in real discount rate	12.0%	35,283	10.0%	166,000
1 year increase in member life expectancy	3-5%	8,821-14,701	3.0%	50,000
0.5% increase in the salary increase rate	1.0%	4,429	1.0%	20,000
0.5% increase in the pension increase rate	10.0%	30,503	8.0%	132,000

Impact on the Chief Constable's cash flow

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. In September 2010 the Local Government Pensions Fund Committee approved an employer contribution rate stabilisation mechanism which limits annual changes in the employer contribution rate payable to +/- 0.5% of pensionable pay.

The service contribution rate and annual deficit payment since 1 April 2019 along with the contribution rate to 31 March 2023 following the triennial valuation as at 31 March 2019 are shown in the following table:

	Future Service Contribution Rate %	Annual Deficit Recovery Contribution £000
1 April 2019 to 31 March 2020	17.8%	1,237
1 April 2020 to 31 March 2021	18.0%	1,243
1 April 2021 to 31 March 2022	18.0%	1,281
1 April 2022 to 31 March 2023	18.0%	1,320

Estimated employer's contributions for 2020/21 amount to £7.227m on the LGPS and £40.4m on the Police Schemes. The weighted average duration of the defined benefit obligation for the LGPS is 25 years (21.8 years, 2018/19) and for the Police Schemes is 21.0 years, 2019/20 (22.0 years, 2018/19).

14. Creditors

The balance of creditors is made up of the following:

	31 March 2020 £000	31 March 2019 £000
Short term creditors:		
Other payables	1,033	762
Balance at 31 March	1,033	762

15. Collaborative Arrangements

Local Collaboration

Both Norfolk and Suffolk Constabularies are collaborating extensively across a range of service areas. At the point where collaborative opportunities are identified as able to deliver efficiencies, savings or improved service then the PCC is required to give their approval to collaborate. This is recognised by Norfolk and Suffolk alike.

The Collaboration Panel for Norfolk and Suffolk, as described in the Scheme of Governance and Consent provides an opportunity for the counties' respective PCCs to consider issues of mutual interest and discharge the governance responsibilities of the PCCs. The agreed shared costs of fully collaborated units that arose during the year was as follows:

	Business Support £000	Justice Services £000	Protective Services £000	County Policing £000	Total £000
2019/20					
Suffolk PCC	17,272	10,614	15,104	1,523	44,513
Norfolk PCC	22,895	14,070	20,022	2,018	59,006
Total shared running costs	40,167	24,685	35,127	3,541	103,520
2018/19					
Suffolk PCC	16,604	9,733	14,544	1,431	42,312
Norfolk PCC	22,010	12,902	19,279	1,897	56,088
Total shared running costs	38,614	22,635	33,823	3,327	98,399

Regional Collaboration

Collaboration within the Region has been pursued for a number of years. Since the introduction of PCCs, the six PCCs from the region have met quarterly as a group with their Chief Constables and Chief Executives. All collaborations that have been entered into have a collaboration agreement which specifies the formalities of the collaboration arrangements in relation to specific collaborations.

Since October 2015 the six police areas in the Region have been joined by Kent in the 7Force Strategic Collaboration Programme. This has been formalised in a

collaboration agreement entered into between the PCCs and Chief Constables of the seven police areas. It was reviewed in a Second Collaboration Agreement in early 2017 to progress the Programme until at least the end of March 2019 and has now been extended for a further two year period by the Third Collaboration Agreement.

The net expenditure incurred by each force is as follows:

	Total 2019/20 £000	Total 2018/19 £000
Operating costs	21,834	20,469
Specific Home Office grant	(4,336)	(4,659)
Other income	-	(300)
Total deficit/ (surplus) for the year	17,498	15,510
Contributions from forces:		
Bedfordshire	(1,997)	(1,843)
Cambridgeshire	(2,567)	(2,376)
Essex	(1,953)	(1,434)
Hertfordshire	(3,607)	(3,351)
Kent	(2,249)	(1,735)
Norfolk	(2,918)	(2,696)
Suffolk	(2,207)	(2,047)
Deficit/ (surplus) for the year	-	27
Norfolk underspend held in Balance Sheet	-	71

7Forces Procurement

The business case to collaborate 7F Procurement was agreed at the Eastern Region Summit on 10 July 2018.

During 2019/20, procurement services across the Seven Forces; Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk and Suffolk have been collaborated to a single 7F Procurement function. This is the first full seven force function to go live across the Eastern region.

As a partnership of seven forces, this will create the second largest contracting body in police procurement nationally. This provides greater economies of scale and better presence and 'buying power' for value for money contracts in the market place.

The 7F Procurement vision is to enable the delivery of an effective police service and provide support for victims of crime in the eastern region by procuring and managing a high quality, value for money supply chain.

The 7F single procurement function was implemented during 2019/20 using a phased approach. The Senior Leadership Team went live on 1 September 2019, the Commercial Development and Governance team on 1 November 2019 and the Category Management team on 6 January 2020.

The net expenditure incurred by each force is as follows:

	Total
	2019/20
	£000
Operating costs	1,033
Contributions from forces:	
Bedfordshire	85
Cambridgeshire	110
Hertfordshire	154
Essex	226
Kent	238
Norfolk	125
Suffolk	94
	1,033

National Collaboration

West Yorkshire Police is the lead force for the National Police Air Service (NPAS). Police staff engaged in provision of the service were employed by the Commissioner and police officers were seconded to West Yorkshire Police. Expenditure relating to NPAS incurred by forces will be charged to West Yorkshire and they will charge forces for the service. The Home Office provides a capital grant to cover the capital investment required.

The service is governed by a section 22A collaboration agreement and is under the control of a Strategic Board made up of Commissioners and Chief Constables from each region. The Board determines the budget and the charging policy and monitors performance.

During the year £130k was payable to West Yorkshire PCC in respect of the NPAS service provided.

16. Contingent Liabilities

MMI Ltd

The insurance company Municipal Mutual Insurance Limited (MMI) ceased trading in 1992 and ceased to write new or renew policies. Potentially claims can still be received as the company continues to settle outstanding liabilities. A scheme of arrangement is in place, however this arrangement will not meet the full liability of all claims and a current levy of 25% will be chargeable in respect of successful claims on MMI's customers. There is currently one open claim against Norfolk Constabulary. At this point in time, it is not possible to calculate the full amount payable on MMI claims.

Capped Overtime Claims

The organisation has a liability in respect of historic overtime claims including Covert Human Intelligence Source (CHIS) handlers and other officers in analogous roles. Officers from Devon and Cornwall Police claimed successfully in the County Court (October 2013) that they were owed payments under Police Regulations 2003. Their claims were upheld at the Court of Appeal. The claims relate to a cap being placed on overtime claims by the Chief Constable. Overtime caps were generally applied across the Police Service for CHIS handlers and other similar roles. Provision has been made in the Statement of Accounts for known claims. However, as with other forces, Norfolk Constabulary may receive further claims from officers working in non-handler and undercover roles. The potential number of claims or an estimate of their value has yet to be made. Many claims cover the period when the units were under joint collaborative control with Suffolk Constabulary, therefore where applicable any settlements will be shared in the appropriate cost sharing ratio.

Overtime claims relating to ERSOU officers are currently being assessed, at this point in time it is unclear whether Norfolk Constabulary will be liable to a proportion of the claims associated with ERSOU officers employed by other forces, a regional agreement has yet to be confirmed.

In addition to the settlement costs, Norfolk Constabulary will also be liable to a share of the legal costs arising for national lead claims, presently these costs are unknown.

Forensic Service Uncertainty

The validity of evidence provided by a forensic testing company to the police service is currently under investigation. It is reasonable to anticipate that some people may have been convicted of offences based on flawed data and that conviction will have had a significant impact on their personal circumstances. As a result some kind of litigation is possible. At this point in time it is not possible to assess the number of claims or the financial exposure arising from them.

Unlawful Discrimination – Pension Fund Regulations

The Chief Constable of Norfolk currently has 65 Employment Tribunal claims lodged against him in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Similar claims have been lodged against all forces in the UK.

The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes.

There was protection provided for older members under each scheme. The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. This means that the various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes.

Paragraph 6.4.3.1 of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) requires authorities to account for post-employment benefits for defined benefit schemes where there is either a legal obligation, under the formal terms of the defined benefit plan or a constructive obligation.

While the regulations underpinning the Local Government Pension Scheme (LGPS), and Police Pension Schemes have not been amended, the outcome of the two tribunals have been deemed to provide evidence that a legal obligation has been created under age-discrimination legislation, resulting in a liability. Furthermore, the 15 July 2019 written statement by the chief secretary to the

treasury that the McCloud and Sargeant judgements would apply to all public service pension schemes has also been deemed to provide evidence that there is a legal obligation.

In the 2018/19 statement of accounts, an actuarial assessment of liabilities arising from the judgement was accounted as a past service cost in the CIES, subsequent changes to the liability assessment in 2019/20 have been accounted as an actuarial gain/loss within the remeasurement of the defined benefit liability line within the CIES.

The impact of an increase in annual pension payments arising from the above judgment is determined through The Police Pension and LGPS Regulations. These require the PCC and Chief Constable to maintain pension funds into which members and employer contributions are paid and out of which pension payments to retired members are made. Presently remedies for settlement have not been agreed or formalised in Pension Regulations, therefore it is questionable whether until then additional liabilities can be measured with sufficient reliability. It is also unclear whether the Government or the PCC and Chief Constable will carry the financial burden for remedy.

Police Pension Fund Accounting Statements

Fund Account

2018/19		2019/20	
£000	£000	£000	£000
Contributions receivable			
Employer			
	11,638	Normal	12,205
	271	Early retirements	399
11,909			12,604
Members			
	7,373	Normal	7,682
7,373			7,682
Transfers in			
	623	Individual transfers in from other schemes	900
623			900
Benefits payable			
(36,728)		Pensions	(38,456)
(9,767)		Commutations and lump sum retirement benefits	(8,708)
(55)		Lump sum death benefits	-
-		Other	(490)
(46,550)			(47,653)
Payments to and on account of leavers			
(29)		Refunds on contributions	(18)
(53)		Individual transfers out to other schemes	-
(82)			(18)
(26,727)		Net amount payable for the year before contribution from the Police General Fund	(26,485)
25,142		Contribution from the Police General Fund	20,927
1,585		Additional funding payable by the local policing body	5,558
-		Net balance receivable for the year	-

Net Assets and Liabilities

2018/19		2019/20	
£000	£000	£000	£000
Net current assets			
-		Net balance receivable from the Police General Fund	-
-		Net Current Assets at 31 March	-

The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2019 at 31% of pensionable pay. A pensions top-up grant from the Home Office is received which funds contributions to a level of 21.3% and in 2019/20 a specific grant of £1.6m was received to part fund the cost of the recent change in contribution rates. The Constabulary funds the resulting balance.

Glossary of terms

For the purposes of the statement of accounts the following definitions have been adopted:

Accruals basis

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actual return on plan assets

The difference between the fair value of plan assets at the end of the period and the fair value at the beginning of the period, adjusted for contributions and payments of benefits.

Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) Events have not coincided with the actuarial assumptions made for the last valuations (experience gains and losses) or
- b) The actuarial assumptions have changed

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Contingent liability

A contingent liability is either:

- a) A possible obligation arising from past events; it may be confirmed only if particular events happen in the future that are not wholly within the local authority's control; or
- b) A present obligation arising from past events, where economic transactions are unlikely to be involved or the amount of the obligation cannot be measured with sufficient reliability.

Current Service Costs

The increase in pension liabilities as a result of years of service earned this year.

Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Government grants

Part of the cost of service is paid for by central government from its own tax income. Specific grants are paid by the Home Office to the Group towards both revenue and capital expenditure.

Group

The term Group refers to the Police and Crime Commissioner (PCC) for Norfolk and the Chief Constable (CC) for Norfolk.

Outturn

The actual amount spent in the financial year.

Past Service Costs

The increase in pension liabilities as a result of a scheme amendment or curtailment whose effect relates to year of service earned in earlier years.

Projected Unit Credit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit credit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Precept

The proportion of the budget raised from council tax.

Provision

Amount set aside to provide for a liability which is likely to be incurred, but the exact amount and the date on which it will arise is uncertain.

PWLB

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies and to collect the repayments.

Related parties

Two or more parties are related parties when at any time during the financial period:

- a) One party has direct or indirect control of the other party; or
- b) The parties are subject to common control from the same source; or
- c) One party has influence over the financial and operational policies of the other party so that the other party might not always feel free to pursue its own separate interests; or
- d) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit credit method reflect the

benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Vested Rights

In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled to on leaving the scheme;
- b) for deferred pensioners, their preserved benefits;
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.