POLICE & CRIME COMMISSIONER

NORFOLK

GROUP AND PCC
STATEMENT OF ACCOUNTS
31 March 2020

www.norfolk-pcc.gov.uk

Statement of Accounts

for the year ended 31 March 2020

Contents **Page**

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR NORFOLK

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Norfolk for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Norfolk and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Norfolk and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Norfolk and Group Balance Sheet;
- Police and Crime Commissioner for Norfolk and Group Cash Flow Statement;
- Expenditure and Funding Analysis and related notes 1 to 32; and
- Police Pension Fund Accounting Statements.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Norfolk and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the "*Group and PCC Statement of Accounts 31 March 2020*", other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Norfolk put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the "*Statement of Responsibilities for the Statement of Accounts"* set out on page 1, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

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

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Norfolk in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

MARK HODGSON
ERNST & YOUNG LLP

…………………………………….. **Date:** *12 November 2020*

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Statement of Responsibilities for the Statement of Accounts

The Police and Crime Commissioner for Norfolk (PCC for Norfolk) Responsibilities

The PCC for Norfolk must:

- Arrange for the proper administration of the PCC for Norfolk'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 (CFO PCC);
- 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:

Lorne Green

Police and Crime Commissioner for Norfolk

The Chief Finance Officer (CFO) of the PCC for Norfolk Responsibilities

The PCC's CFO is responsible for preparing the Statement of Accounts for the PCC for Norfolk 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 PCC's CFO 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 PCC's CFO 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 PCC for Norfolk

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 PCC for Norfolk at 31 March 2020, and its income and expenditure for the year to that date.

Jill Penn CPFA, ACMA, MSc

Chief Finance Officer

NARRATIVE REPORT

Message from the Police and Crime Commissioner, Lorne Green

The financial position for policing remains extremely challenging. While the increased level of funding in the settlement for 2020/21 is welcome, it is not enough. Demand pressures are continuing to increase and the impact of Covid-19 is yet to be seen; the impact of organised crime is impacting our main urban areas; crime is changing and becoming more complex and more expensive to investigate; the level of investment required to keep our police forces modernised, digital and fit-for-purpose is ever increasing and the College of Policing ambition to increase the professionalisation of the service, while the right ambition, is adding extra costs to local forces. The Chief Constable continues to work hard to deliver the strategic aims of my Police and Crime Plan. These include an increase in visible policing and good stewardship of taxpayers' money. These Accounts are part of the evidence of good stewardship.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounts provide information to all stakeholders and interested parties, enabling them to:

- Understand the overarching financial position of the Police and Crime Commissioner and Constabulary (the PCC Group) for the year ended 31 March 2020;
- Have confidence that the public money entrusted to the Police and Crime Commissioner (PCC) has been used efficiently and effectively and accounted for in an appropriate manner;
- Be assured that the financial position of the PCC Group is secure.

The format and context of the accounts complies with the requirements of the Code which includes relevant International Financial Reporting Standards (IFRS).

The Chief Finance Officer's section of the Narrative Report, on Page 11 explains how the financial (management accounting) outturn report links to the figures in the Comprehensive Income and Expenditure Statement. This outturn report sets out the financial position of the PCC Group in a much simpler way by comparing actual spending in the year with the budget (i.e. the grant funding from central government plus council tax income). The outturn report can be found on the PCC website: www.norfolk-pcc.gov.uk .

It is important to note that these accounts can only be produced if there is a well-defined governance framework, a robust control environment with tested financial systems and timely and accurate processes.

The resulting transactions and accounting entries are then audited by an independent external auditor (Ernst & Young LLP), and in this way members of the public can take assurance that there has been proper use of public money and also value for money.

There are also some important notes, including notes on the levels of usable reserves, potential contingent liabilities, provisions, employees' remuneration and council tax.

These accounts have had to be prepared to a very tight deadline and this would not have been possible without the hard work and dedication of the finance team and other staff across the Constabulary and Office of the Police and Crime Commissioner – I express my gratitude to them all.

Lorne Green

Police and Crime Commissioner for Norfolk

Narrative Report by the Chief Finance Officer, Jill Penn

Introduction

This Narrative Report provides information about the Office of the Police and Crime Commissioner for Norfolk and the PCC Group, including the key issues affecting the Group and its accounts. It also provides a summary of the financial position at 31 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 Police and Crime Commissioner for Norfolk

Under the Police Reform and Social Responsibility Act 2011 (the Act) the Police and Crime Commissioner for Norfolk (PCC) and the Chief Constable (CC) for 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 PCC, determined by the Act, include:

- Setting objectives for tackling crime and disorder in Norfolk through a Police and Crime Plan
- Ensuring Norfolk has an efficient and effective police force and holding the Chief Constable to account for running the force
- Setting Norfolk's policing priorities
- Setting the budget for policing the county and the level of the precept (council tax)
- Bringing together Norfolk's community safety and criminal justice partners to make sure local priorities are joined up
- Commissioning services which contribute to the objectives within the Police and Crime Plan, and
- Providing support services for victims and witnesses of crime.

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 Revenue Budget and Capital Programme for 2019/20 were approved in February 2019.

The PCC is accountable to the Norfolk Police and Crime Panel which scrutinises the actions and decisions of the PCC. Formal public meetings between the PCC and the Chief Constable are held every two months. An independent Audit Committee has also been established in accordance with recommendations from the Home Office and CIPFA.

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 employment[2]. 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, the Sundown music festival and numerous other local carnivals and occasions. Clearly, the outbreak of Covid-19 has seen a suspension of such events, more references are made to the required changes to operational policing in section 7 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.

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 7 of this report, work remains ongoing to continuously improve the efficiency of policing over the medium term.

[1] https://www.norfolkinsight.org.uk/population/

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

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 around 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, 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 7Forces Strategic Collaboration Programme currently working on other areas for wider collaboration, convergence and savings. In January 2020 a 7Force Commercial Procurement team has been fully implemented and is now overseeing all procurement activity across all the seven 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 set 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 was reassessed against the critical success factors. As a result, the Governance Model did 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 however, 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.

The Norfolk Office of the PCC and 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.

PCC Grants and Commissioning

The PCC has responsibility to commission services on behalf of the Ministry of Justice specifically for victims of crime within the county which includes specialist services for victims of domestic abuse and sexual violence.

In addition to the Ministry of Justice responsibility, the PCC's commissioning intentions that have been set for Norfolk reflect the core priorities of Increasing Visible Policing, Support Rural Communities, Improve Road Safety, Prevent Offending, Support Victims and Reduce Vulnerability, and Deliver a Modern and Innovative Service.

Commissioning intentions are listed within the Police and Crime Plan 2016-2020, Appendix C. These highlight the PCC's intent to invest more into preventative strategies and intentions with a view to reducing offending and victimisation, reducing demand on police and the criminal justice system and protecting the people of Norfolk.

In 2019/20, the OPCCN had a total commissioning budget of £2.081m, comprising:

- OPCCN commissioning budget of £1.044m
- Ministry of Justice funding stream of £1.037m, specifically for the commissioning of support services for victims of crime.

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.

3. Explanation of financial statements

The 2019/20 statement of accounts for the Police and Crime Commissioner for Norfolk and the PCC Group 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. The PCC raised taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. 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 Group. The net assets of the Group (assets less liabilities) are matched by the usable reserves i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **The Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group'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 Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

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

Please note that occasionally minor differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies. The notes to the accounts are headed "Group" and "PCC" as appropriate. If only one table is included within a note, this relates to both the Group and the PCC. There have been minor presentational changes to some tables in an effort to simplify the notes to the accounts.

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.

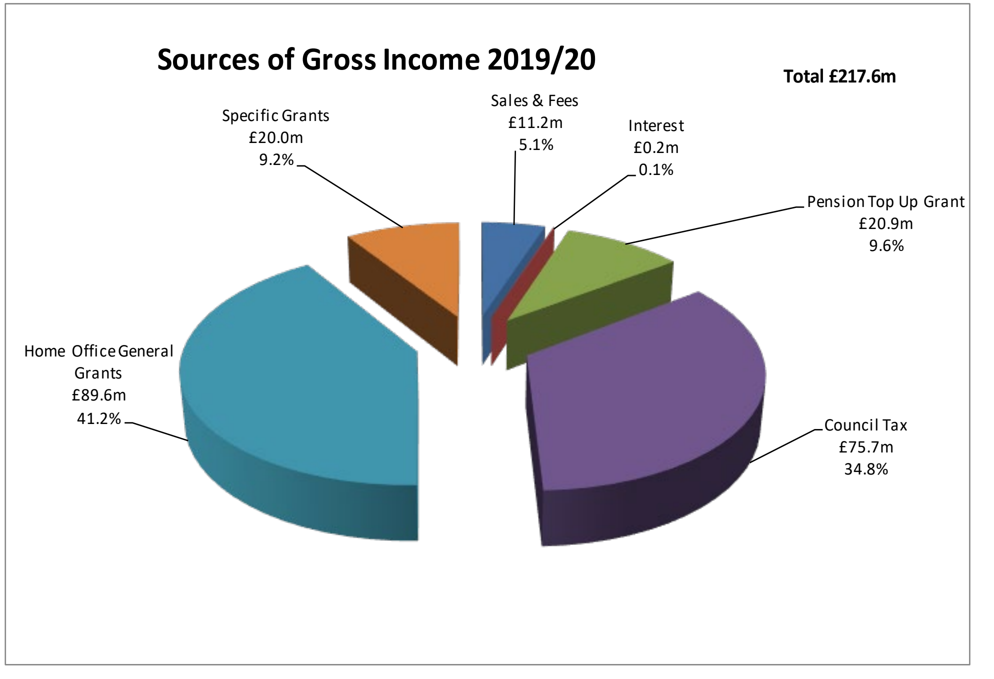
These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2019/20 to 2023/24 and was signed off in February 2019.

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

5. Financial Performance

Sources of Funding

The majority of police funding comes from the Government (Home Office and Ministry of Justice) in the form of general and specific grants. The remainder comes from council tax and fees and charges. The financing burden on local council taxpayers, as a percentage of funding, has steadily increased as Government grants have reduced. The chart below shows the sources of revenue funding in 2019/20:



Revenue Budget

In February 2019, the PCC approved a net revenue budget for 2019/20 of £164.782m. The revenue budget was enhanced by the PCC's decision to increase the policing element of council tax for Bank D property by £24. This stood at £253.08 for 2019/20 (£229.14 2018/19).

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. Just over £100k of savings planned in 2020/21 have been delayed by the impact of the Covid-19 pandemic. However, the constabulary undertook an in-year savings review and have identified approximately £1.5m of savings which will help provide some resilience for future funding shocks caused by the pandemic. This will be kept under constant review through the current governance arrangements that are still running and are still effective.

Revenue Expenditure Compared to Budget

For Budgeting purposes, the Revenue Budget is compiled and controlled as set out in the adjacent table.

	Budget £000	Final outturn £000	Variance £000
Constabulary	175,432	177,990	(2,558)
Office of the PCC	1,018	963	55
PCC Commissioning	1,244	1,079	165
PCC - Grants and PFI Refinancing Gainshare	(12,212)	(16,096)	3,884
Net total contributions to / (from) earmarked reserves	(700)	846	(1,546)
Total Net Expenditure	164,782	164,782	-
Grants income	88,829	88,829	-
Precept income (before collection fund balance adjustment)	75,953	75,953	-
Transfer from/(to) general reserves	**-**	**-**	**-**

The Total Net Expenditure in the Revenue Budget table is different to the Net Cost of Services reported in the CIES (shown on page 21) which is prescribed by the Code.
The difference primarily relates to accounting adjustments required by the Code. The reconciliation between the two amounts is shown in the adjacent table.

2018/19 £000		2019/20 £000
154,555	**Total Net Expenditure per Outturn Report**	164,782
(3,485)	Revenue funding of capital	(7,476)
(1,892)	Minimum Revenue Provision (MRP)	(3,230)
8,160	Depreciation, amortisation and impairments	6,207
119,198	IAS 19 pension service costs (accounting basis)	51,604
(22,036)	Pension contributions (funding basis)	(27,172)
12	Movement on compensated absences accrual	743
53	Transfers from / (to) reserves	(161)
19	(Gains) / losses from derecognition of financial assets carried at amortised cost	-
118	Interest received	218
(6,473)	Interest payable	(5,618)
248,230	**Net Cost of Services**	**179,896**

Capital Budget

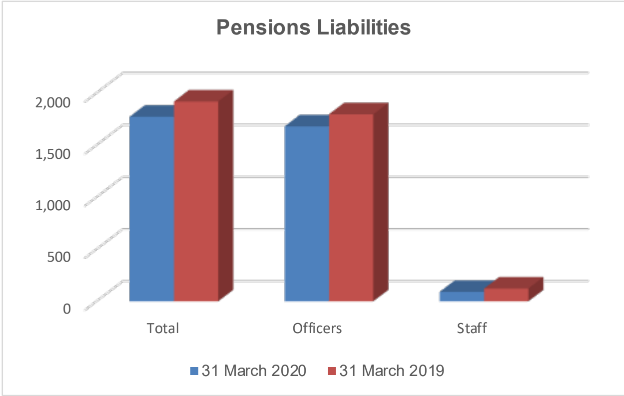
The Capital Programme for 2019/20, including slippage from 2018/19 and in-year approvals, was £23.879m. Actual expenditure against this total was £13.233m. The under-spend of £10.646m was primarily due to re-profiling of major estates schemes. Actual expenditure includes an amount of £0.424m relating to incidental and de-minimis expenditure, which is not capitalised in the financial statements but charged directly to the CIES. The Capital Programme was financed by government grants and contributions (£0.638m), revenue contributions (£7.476m), internal borrowing (£4.194m) and capital receipts (£0.501m).

The outbreak of Covid-19 did not impact on the capital programme and plans for 2019/20 but does present some potential challenges for the 2020/21 capital programme. As a result of lockdown requirements, all major construction sites as part of the 2020/21 programme initially closed, but as lockdown measures were relaxed the sites re-opened and construction is progressing well, albeit at the time of writing infection rates are increasing and we may once again see some impact. Asset valuations and any volatility in the market caused by Covid-19 may also impact on the timing of the sale of assets that may have an impact on capital financing. This situation will be continually monitored.

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 PCC has a future commitment to make these payments and under International Accounting Standard 19 (IAS19), the PCC 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 PCC as calculated by an independent actuary are set out in the following chart:



These liabilities result in the Balance Sheet showing net overall liabilities of £1,751m at 31 March 2020, however, the financial position of the PCC 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. However, the 2019/20 figures incorporate actual returns for the period 1 April 2019 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

Public Finance Initiative (PFI) Liabilities

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 (OCC) until 2037. The actual level of payments is dependent on the availability of the site and the provision and delivery of services within. The contract, which is for a period of 35 years starting from 2001, has an option 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. At the year-end the PFI liability associated with the OCC amounted to £24.6m.

Six Police Investigation Centres (PICs) were opened during 2011. The contract is under a PFI arrangement for which Suffolk and Norfolk PCCs are committed to making payments under a 30-year contract with a consortium for their use. The actual level of payments is dependent on the availability of the site and provision and delivery of services within. At the end of this term the properties revert to the two PCCs. Norfolk and Suffolk have agreed to share the costs of these services on an agreed percentage in accordance with the total number of cells within the 6 properties located in the two Counties - this being Norfolk 58.2% and Suffolk 41.8%. There is also an arrangement with the Cambridgeshire PCC by which one third of the running costs of the Kings Lynn PIC are recharged to Cambridgeshire for their use of the cells. At the year-end Norfolk PCC's share of the PIC PFI liability amounted to £33.3m.

Reserves

As at 31 March 2020, the PCC has usable reserves of £18.745m which are available to support revenue and capital spending. These include a general reserve made up of earmarked balances of £13.969m (against which there are significant commitments), and a general balance of £4.475m. These reserves are not fully supported by cash balances, primarily due to capital expenditure in some prior years being financed from cash. The impact of Covid-19 on the economy will impact the future funding settlements for policing going forward, and reserves will be an integral part of the consideration for 2021/22 and beyond.

Treasury Management

The PCC has agreed a Treasury Management Strategy which complies with CIPFA guidance. During 2019/20, the PCC continued to borrow and/or invest available cash balances in accordance with cash flow forecasts, ensuring that prescribed policies with regard to security and liquidity were observed. The average level of investments for 2019/20 was £27.2m and the interest received against the budget of £0.000m was £0.218m. The overall return of 0.80% exceeded the benchmark of the Local Government 7-day rate average of 0.41% by 0.21% and was 0.03% higher than the 3m LIBOR average of 0.77%.

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 PCC's website at www.norfolk-pcc.gov.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.

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 7Force 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	*Number of crimes*	9,674	11,424
	Solved rate	15%	12%
Serious Sexual Offences	*Number of crimes*	1,979	2,350
	Solved rate	7%	6%
Child Sexual Abuse	*Number of crimes*	1,437	1,647
	Solved rate	10%	7%
Hate Crime	*Number of crimes*	1,086	1,105
	Solved rate	18%	15%
Online Crime	*Number of crimes*	1,390	1,555
	Solved rate	13%	11%
Call Handling	*% 999 calls answered in 10 seconds*	91%	90%
Emergency Response	*% of emergencies responded to in target time*	90%	89%
Road Safety	*Number of KSI collisions*	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, 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 that were then brought to an end at the end of July, and policing has reverted to a business as usual model (subject to policing operating with appropriate personal protective equipment (PPE) and social distancing). However, it should be noted that recently with the increase in infection rates this is being kept under constant review. Clearly most of the impact has been 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 Office of the Police and Crime Commissioner and the Constabulary.

Provision of services and impact on workforce

OPCCN

As a result of the Covid-19 pandemic the OPCCN have established a strategic model to focus on our response to the disease and the opportunity to work in a different way moving forward; whilst ensuring that the Police and Crime Commissioner (PCC) continues to maintain effective governance to fulfil the statutory role and support the wider sector through commissioning of services. The strategy confirms how the core functions of the Office of the Police and Crime Commissioner (OPCC) are able to be maintained and, in some cases, developed, to continue to perform effectively. The senior management team are in regular contact either virtually or in person and the Chief Executive and senior team have a regular appointment with the PCC.

OPCCN sickness levels have been monitored however sickness has been at normal levels at the time of writing the report. Clear guidance has been provided to staff at each stage of the pandemic.

The organisation was 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 staff and the community are paramount. Whilst most activities have continued, some approaches have needed to be modified to ensure compliance with these regulations. Examples of these include amendments to the extension of agile working to ensure people are equipped with appropriate technology to enable them to work from home. Those without laptops at the time of the lockdown have been provided with them subsequently. Virtual governance practices have been developed so that the PCC is still able to hold the Chief Constable to account.

Owing to the changes which have taken place across the county other changes have resulted for the OPCCN. A large number of meetings with agencies that work with victims have had to be conducted in other ways, such as via phone or via Skype. Nationally, the Ministry of Justice has been requesting funding bids for additional funding to support victims through the pandemic which has meant diverting resources to meet the administrative demands of the funding mechanisms being used.

Service provision has been less impacted in the OPCCN. Business continuity plans have worked well, and naturally there has been a focus on provision of critical support. Many functions have been able to remain providing a similar level of business as usual service to that provided pre-pandemic.

During the time of lockdown additional laptops have been acquired to increase the number of people working from home. Welfare checks are regularly undertaken to ensure the staff are supported at this difficult time. It has also given an opportunity for training and other projects to be brought forward to give variety and opportunity to staff who may not have taken such work or training before.

At the time of writing (October 2020), the strategy is being regularly updated to support the new normal, both in terms of full business as usual for all areas of the business as lockdown restrictions are reduced, but also the longer-term working models after the pandemic has been managed and restrictions lifted.

Constabulary

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. Even with the change back to an adapted business as usual model, the Gold and Silver commanders have been maintained and activity has increased over recent weeks due to the increase in infection rates.

Force sickness levels have been monitored on a daily basis and all officers and staff who are symptomatic remain off work for the required number of days. Clear guidance has been provided to those living with someone displaying symptoms about the requirement to self-isolate and those deemed vulnerable were previously provided laptops to enable them to effectively work from home. This approach has been sustained and wherever possible, people who are able to effectively work from home continue to be supported to do so. A prioritised 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. In the first wave force sickness levels were much lower than expected although business continuity planning had been completed to enable a graduated response to service delivery should this have been required. However, in more recent times, sickness rates are clearly starting to increase, no doubt linked to the increase in community testing but also the track and trace process within the community.

The organisation had to quickly adapt to the pandemic and also the Government regulations in relation to legislation and social distancing measures in the workplace. Operational activity had to be changed quickly and business as usual processes were amended to ensure the safety of officers and the community were of primary concern. Whilst some activities continued, some approaches were 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 were 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. 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 and alternative methods for securing evidence in statement form have been introduced.

The impact of the restrictions initially resulted in reductions in crimes being reported to the Constabulary however this demand has now returned to what would be described as pre-Covid levels. However, concerns remain 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 and that as a result, some hidden harm may remain unreported. 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. In addition to this, the force have also had to balance increasing demands relating to Government regulations and legislation and to ensure internal processes are structured to ensure timely and proportionate responses to reported breaches.

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 was an initial change freeze imposed, with most projects put on holdAs a result of this many functions were able to remain providing a similar level of business as usual service to that provided pre-pandemic. Project work has been restarted and demand is back to pre-Covid levels and the back office is responding well. 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 re-commenced, 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 (October 2020), a Modern Workplace Programme has been established that will be looking at transition to new ways of working and innovative and flexible ways of using the estate including increased provision of sustainable and long-term models for working from home.

.

Supply chain impact from Covid-19

The Covid-19 outbreak had a significant effect on global supply chains; a slowdown in production in other regions of the world impacted on our ability to secure sufficient supplies and lead times were extended. Many of our supplies originate from or have components / elements (vehicles / IT equipment) manufactured in the Far East, which flow west. Supply chains and lead times are generally re-established again as countries emerged out of lockdown during the summer but some still have various restrictions that prevent manufacturing delivering at the volumes previously expected and the impact of second wave is being monitored.

Emerging from this, suppliers continue to re-evaluate 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, but national arrangements are now in place ensuring that the constabularies have sufficient supplies moving forward.

Supply chain issues relating to construction work led to most of the major estate developments being put on hold, although some minor works were able to be progressed. There have been improvements in the supply of construction materials allowing works to continue following national guidelines on safe working.

Alongside many other organisations, the constabulary has looked to increase the number of laptops within its asset base. Lead 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 remains under review.

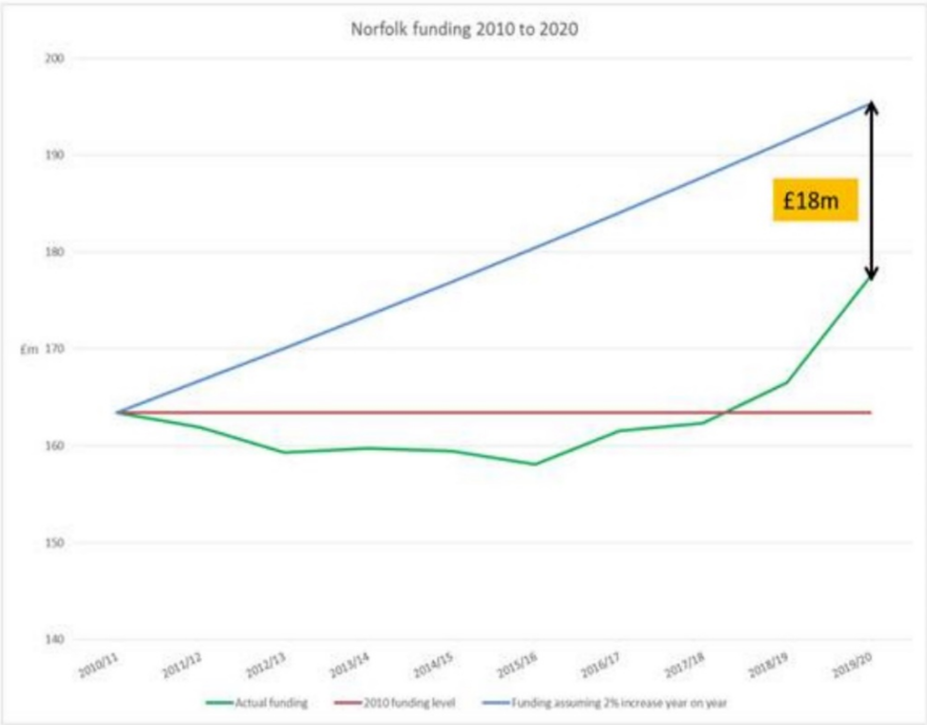
In terms of the supply of vehicle parts, as indications were given that lockdown was likely to be initiated, some forward buying of parts was undertaken to mitigate the risk of breaks in the supply chain. This action was prudent, and subsequent issues with supply have been seen. Generally, all components 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

Funding Settlement 2020/21 and beyond

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 12 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 suffering the economic shock of the pandemic and lockdown restrictions, and the government has a significant challenge to resolve over the next few months and years. The timing of the Spending Review is uncertain , and while Uplift is expected to be continued, the funding outlook is not clear 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 halfway through 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.

Jill Penn CPFA, ACMA, MSc

Chief Finance Officer

Comprehensive Income and Expenditure Statement for the PCC for Norfolk Group

for the year ended 31 March 2020

Gross Expenditure 2018/19 £000	Income 2018/19 £000	Net Expenditure 2018/19 £000		Note	Gross Expenditure 2019/20 £000	Income 2019/20 £000	Net Expenditure 2019/20 £000
			Division of Service:				
258,586	(16,135)	242,451	Constabulary		198,066	(19,331)	178,734
11,983	(7,078)	4,905	Office of the PCC		9,675	(10,186)	(511)
2,103	(1,228)	875	PCC commissioning		2,876	(1,675)	1,201
272,672	**(24,442)**	**248,230**	**Net Cost of Services**		**210,617**	**(31,192)**	**179,424**
			Other Operating Expenditure:				
-	(25,142)	(25,142)	Home Office contribution to police pensions	**7**	-	(20,927)	(20,927)
85	-	85	Loss / (profit) on disposal of fixed assets		15	-	15
85	**(25,142)**	**(25,057)**			**15**	**(20,927)**	**(20,912)**
			Financing and Investment Income and Expenditure:				
6,473	-	6,473	Interest payable and similar charges		5,618	-	5,618
44,219	-	44,219	Pensions interest cost	**16**	47,130	-	47,130
-	(118)	(118)	Interest and investment income		-	(218)	(218)
19	-	19	(Gains) / losses from derecognition of financial assets carried at amortised cost		-	-	-
50,711	**(118)**	**50,592**			**52,748**	**(218)**	**52,530**
			Taxation and Non-specific Grant Income:				
-	(58,822)	(58,822)	General grants	**7**	-	(59,899)	(59,899)
-	(549)	(549)	Capital grants and contributions		-	(779)	(779)
-	(28,371)	(28,371)	Former MHCLG funding	**7**	-	(28,930)	(28,930)
-	(67,198)	(67,198)	Precepts	**11**	-	(75,210)	(75,210)
-	**(154,939)**	**(154,939)**			**-**	**(164,818)**	**(164,818)**
		118,826	**Deficit / (Surplus) on the Provision of Services**				**46,225**
			Other Comprehensive Income and Expenditure:				
		(4,036)	(Surplus) / deficit on the revaluation of assets	**13**			(7,683)
		71,627	Remeasurements of the net defined benefit liability **(i)**	**16**			(197,640)
		67,591					**(205,323)**
		186,418	**Total Comprehensive Income and Expenditure**				**(159,097)**

(i) Gains of £198m 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 16 to these accounts.

Comprehensive Income and Expenditure Statement for the PCC

for the year ended 31 March 2020

Gross Expenditure 2018/19 £000	Income 2018/19 £000	Net Expenditure 2018/19 £000		Note	Gross Expenditure 2019/20 £000	Income 2019/20 £000	Net Expenditure 2019/20 £000
			Division of Service:				
11,983	(7,078)	4,905	Office of the PCC		9,675	(10,186)	(511)
2,103	(1,228)	875	PCC commissioning		2,876	(1,675)	1,201
14,086	**(8,306)**	**5,780**	**Net Cost of Services before group funding**		**12,551**	**(11,861)**	**690**
170,528	-	170,528	Intra-group funding	**5**	175,091	-	175,091
184,614	**(8,306)**	**176,308**	**Net Cost of Services**		**187,642**	**(11,861)**	**175,781**
			Other Operating Expenditure:				
-	(25,142)	(25,142)	Home Office contribution to police pensions	**7**	-	(20,927)	(20,927)
85	-	85	Loss / (profit) on disposal of fixed assets		15	-	15
85	**(25,142)**	**(25,057)**			**15**	**(20,927)**	**(20,912)**
			Financing and Investment Income and Expenditure:				
6,473	-	6,473	Interest payable and similar charges		5,618	-	5,618
30	-	30	Pensions interest cost	**16**	38	-	38
-	(118)	(118)	Interest and investment income		-	(218)	(218)
19	-	19	(Gains) / losses from derecognition of financial assets carried at amortised cost		-	-	-
6,522	**(118)**	**6,403**			**5,656**	**(218)**	**5,438**
			Taxation and Non-specific Grant Income:				
-	(58,822)	(58,822)	General grants	**7**	-	(59,899)	(59,899)
-	(549)	(549)	Capital grants and contributions		-	(779)	(779)
-	(28,371)	(28,371)	Former MHCLG funding	**7**	-	(28,930)	(28,930)
-	(67,198)	(67,198)	Precepts	**11**	-	(75,210)	(75,210)
-	**(154,939)**	**(154,939)**			**-**	**(164,818)**	**(164,818)**
		2,715	**Deficit / (Surplus) on the Provision of Services**				**(4,510)**
			Other Comprehensive Income and Expenditure:				
		(4,036)	(Surplus) / deficit on the revaluation of assets	**13**			(7,683)
		226	Remeasurements of the net defined benefit liability	**16**			9
		(3,810)					**(7,674)**
		(1,095)	**Total Comprehensive Income and Expenditure**				**(12,184)**

Balance Sheet for the PCC for Norfolk Group and the PCC of Norfolk as at 31 March 2020

Group 31 March 2019 £000	PCC 31 March 2019 £000		Notes	Group 31 March 2020 £000	PCC 31 March 2020 £000
74,375	74,375	Property, plant and equipment	**13**	88,307	88,307
3,069	3,069	Intangible assets	**13**	2,935	2,935
77,444	77,444	**Total Long Term Assets**		91,242	91,242
531	531	Inventories		570	570
14,683	14,683	Short term debtors and prepayments	**18**	15,864	15,864
11,557	11,557	Cash and cash equivalents	**19**	10,900	10,900
6,000	6,000	Short term investments	**17**	3,000	3,000
447	447	Assets held for sale	**20**	417	417
33,217	33,217	**Current Assets**		30,751	30,751
110,661	**110,661**	**TOTAL ASSETS**		**121,993**	**121,993**
16,778	16,016	Short-term creditors and accruals	**21**	18,933	17,900
490	490	Short term borrowing	**23**	287	287
1,204	1,204	Provisions	**25**	1,099	1,099
53	53	Short term grants receipts in advance		53	53
1,179	1,179	PFI liabilities	**15**	1,260	1,260
19,705	18,943	**Current Liabilities**		21,631	20,598
1,918,400	1,449	Other long term liabilities	**16**	1,771,395	1,630
23,917	23,917	Long term borrowing	**23**	23,742	23,742
59,116	59,116	PFI liabilities	**15**	56,603	56,603
1	1	Grants receipts in advance		2	2
2,001,434	84,483	**Long Term Liabilities**		1,851,742	81,977
2,021,139	**103,427**	**TOTAL LIABILITIES**		**1,873,373**	**102,575**
(1,910,478)	**7,234**	**NET ASSETS / (LIABILITIES)**		**(1,751,380)**	**19,417**
18,443	18,443	Usable reserves	**Page 24/26**	18,745	18,745
(1,928,921)	(11,208)	Unusable reserves	**28**	(1,770,126)	672
(1,910,478)	**7,234**	**TOTAL RESERVES**		**(1,751,380)**	**19,417**

The financial statements replace the unaudited financial statements certified by Jill Penn on 29 May 2020.

Jill Penn CPFA, ACMA, MSc

Chief Finance Officer

12 November 2020

Movement in Reserves Statement for the PCC for Norfolk Group

Year Ended 31 March 2020	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2019		**18,284**	**-**	**159**	**18,443**	**(1,928,921)**	**(1,910,478)**
Movement in Reserves during 2019/20							
Surplus or (deficit) on provision of services (accounting basis)	**Page 21**	(46,225)	-	-	**(46,225)**	**-**	**(46,225)**
Other comprehensive income and expenditure	**Page 21**	-	-	-	**-**	**205,323**	**205,323**
Total comprehensive income and expenditure		**(46,225)**	**-**	**-**	**(46,225)**	**205,323**	**159,097**
Amortisation of intangible assets	**13**	492	-	-	**492**	**(492)**	**-**
Depreciation on property, plant and equipment	**13**	6,228	-	-	**6,228**	**(6,228)**	**-**
Revaluation losses on property, plant and equipment	**13**	(514)	-	-	**(514)**	**514**	**-**
Capital grants and contributions credited to the CIES	**Page 21**	(779)	-	779	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(638)	**(638)**	**638**	**-**
Net gain or loss on the sale of non-current assets	**Page 21**	15	501	-	**517**	**(517)**	**-**
Transfer from Financial Instruments Adjustment Account		-	-	-	**-**	**-**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		71,562	-	-	**71,562**	**(71,562)**	**-**
Movement on the Collection Fund Adjustment Account		743	-	-	**743**	**(743)**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(7,476)	-	-	**(7,476)**	**7,476**	**-**
Statutory provision for the repayment of debt	**14**	(3,230)	-	-	**(3,230)**	**3,230**	**-**
Contribution to the Police Pension Fund	**Page 21**	(20,927)	-	-	**(20,927)**	**20,927**	**-**
Movement on the Compensated Absences Account		271	-	-	**271**	**(271)**	**-**
Use of capital receipts to fund asset purchases		-	(501)	-	**(501)**	**501**	**-**
Adjustments between accounting basis and funding basis under regulations		**46,386**	**-**	**142**	**46,527**	**(46,527)**	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		**161**	**-**	**142**	**302**	**158,795**	**159,097**
Balance at 31 March 2020		**18,445**	**-**	**301**	**18,745**	**(1,770,126)**	**(1,751,381)**

Year Ended 31 March 2019	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Restated £000	Total Usable Reserves £000	Total Unusable Reserves Restated £000	Total Reserves £000
Balance at 1 April 2018		**18,337**	**-**	**362**	**18,699**	**(1,742,760)**	**(1,724,061)**
Movement in Reserves during 2018/19							
Surplus or (deficit) on provision of services (accounting basis)	**Page 21**	(118,826)	-	-	**(118,826)**	**-**	**(118,826)**
Other comprehensive income and expenditure	**Page 21**	-	-	-	**-**	**(67,591)**	**(67,591)**
Total comprehensive income and expenditure		**(118,826)**	**-**	**-**	**(118,826)**	**(67,591)**	**(186,418)**
Amortisation of intangible assets	**13**	814	-	-	**814**	**(814)**	**-**
Depreciation on property, plant and equipment	**13**	5,977	-	-	**5,977**	**(5,977)**	**-**
Revaluation losses on property, plant and equipment	**13**	1,369	-	-	**1,369**	**(1,369)**	**-**
Capital grants and contributions credited to the CIES	**Page 21**	(549)	-	549	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(751)	**(751)**	**751**	**-**
Net gain or loss on the sale of non-current assets	**Page 21**	85	74		**159**	**(159)**	**-**
Transfer from Financial Instruments Adjustment Account		39	-	-	**39**	**(39)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		141,381	-	-	**141,381**	**(141,381)**	**-**
Movement on the Collection Fund Adjustment Account		164	-	-	**164**	**(164)**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(3,485)	-	-	**(3,485)**	**3,485**	**-**
Statutory provision for the repayment of debt	**14**	(1,892)	-	-	**(1,892)**	**1,892**	**-**
Contribution to the Police Pension Fund	**Page 21**	(25,142)	-	-	**(25,142)**	**25,142**	**-**
Movement on the Compensated Absences Account		12	-	-	**12**	**(12)**	**-**
Use of capital receipts to fund asset purchases		-	(74)	-	**(74)**	**74**	**-**
Adjustments between accounting basis and funding basis under regulations		**118,773**	**-**	**(202)**	**118,570**	**(118,570)**	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		**(53)**	**-**	**(202)**	**(256)**	**(186,162)**	**(186,418)**
Balance at 31 March 2019		**18,284**	**-**	**159**	**18,443**	**(1,928,921)**	**(1,910,478)**

Movement in Reserves Statement for the PCC for Norfolk

Year Ended 31 March 2020	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2019		**18,284**	**-**	**159**	**18,443**	**(11,209)**	**7,234**
Movement in Reserves during 2019/20							
Surplus or (deficit) on provision of services (accounting basis)	**Page 22**	4,510	-	-	**4,510**	**-**	**4,510**
Other comprehensive income and expenditure	**Page 22**	-	-	-	**-**	**7,674**	**7,674**
Total comprehensive income and expenditure		**4,510**	**-**	**-**	**4,510**	**7,674**	**12,185**
Amortisation of intangible assets	**13**	492	-	-	**492**	**(492)**	**-**
Depreciation on property, plant and equipment	**13**	6,228	-	-	**6,228**	**(6,228)**	**-**
Revaluation losses on property, plant and equipment	**13**	(514)	-	-	**(514)**	**514**	**-**
Capital grants and contributions credited to the CIES	**Page 22**	(779)	-	779	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(638)	**(638)**	**638**	**-**
Net gain or loss on the sale of non-current assets	**Page 22**	15	501	-	**517**	**(517)**	**-**
Transfer from Financial Instruments Adjustment Account		-	-	-	**-**	**-**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		172	-	-	**172**	**(172)**	**-**
Movement on the Collection Fund Adjustment Account		743	-	-	**743**	**(743)**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(7,476)	-	-	**(7,476)**	**7,476**	**-**
Statutory provision for the repayment of debt	**14**	(3,230)	-	-	**(3,230)**	**3,230**	**-**
Use of capital receipts to fund asset purchases		-	(501)	-	**(501)**	**501**	**-**
Adjustments between accounting basis and funding basis under regulations		**(4,348)**	**-**	**142**	**(4,206)**	**4,206**	**-**
Net increase / decrease before transfers to Earmarked Reserves		**162**	**-**	**142**	**303**	**11,880**	**12,184**
Balance at 31 March 2020		**18,446**	**-**	**301**	**18,745**	**672**	**19,417**

Year Ended 31 March 2019	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Restated £000	Total Usable Reserves £000	Total Unusable Reserves Restated £000	Total Reserves £000
Balance at 1 April 2018		**18,337**	**-**	**362**	**18,698**	**(12,558)**	**6,140**
Movement in Reserves during 2018/19							
Surplus or (deficit) on provision of services (accounting basis)	**Page 22**	(2,715)	-	-	**(2,715)**	**-**	**(2,715)**
Other comprehensive income and expenditure	**Page 22**	-	-	-	**-**	**3,810**	**3,810**
Total comprehensive income and expenditure		**(2,715)**	**-**	**-**	**(2,715)**	**3,810**	**1,096**
Amortisation of intangible assets	**13**	814	-	-	**814**	**(814)**	**-**
Depreciation on property, plant and equipment	**13**	5,977	-	-	**5,977**	**(5,977)**	**-**
Revaluation losses on property, plant and equipment	**13**	1,369	-	-	**1,369**	**(1,369)**	**-**
Capital grants and contributions credited to the CIES	**Page 22**	(549)	-	549	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(751)	**(751)**	**751**	**-**
Net gain or loss on the sale of non-current assets	**Page 22**	85	74	-	**159**	**(159)**	**-**
Transfer from Financial Instruments Adjustment Account		39	-	-	**39**	**(39)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		140	-	-	**140**	**(140)**	**-**
Movement on the Collection Fund Adjustment Account		164	-	-	**164**	**(164)**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(3,485)	-	-	**(3,485)**	**3,485**	**-**
Statutory provision for the repayment of debt	**14**	(1,892)	-	-	**(1,892)**	**1,892**	**-**
Use of capital receipts to fund asset purchases		-	(74)	-	**(74)**	**74**	**-**
Adjustments between accounting basis and funding basis under regulations		**2,662**	**-**	**(202)**	**2,460**	**(2,460)**	**-**
Net increase / decrease before transfers to Earmarked Reserves		**(53)**	**-**	**(202)**	**(255)**	**1,350**	**1,096**
Balance at 31 March 2019		**18,284**	**-**	**159**	**18,443**	**(11,209)**	**7,234**

Cash flow Statement for the PCC for Norfolk Group and PCC for Norfolk

For the year ended 31 March 2020

Group 2018/19 £000 Restated	PCC 2018/19 £000 Restated		Note	Group 2019/20 £000	PCC 2019/20 £000
(118,826)	**(2,715)**	**Net Surplus/(deficit) on the provision of services**	**Page 21/22**	**(46,225)**	**4,510**
128,008	11,896	Adjustment for non cash or cash equivalent movements	22	57,536	6,801
(549)	(549)	Capital grants and contributions		(779)	(779)
8,633	**8,633**	**Net cash flows from operating activities**		**10,531**	**10,531**
		Investing activities			
(5,361)	(5,361)	Purchase of non current assets		(12,866)	(12,866)
-	-	Other payments for investing activities		-	-
(50,000)	(50,000)	Purchase of short-term or long term investments		(31,500)	(31,500)
74	74	Proceeds from the sale of non currents assets		501	501
47,000	47,000	Proceeds from short-term or long-term investments		34,500	34,500
(8,287)	**(8,287)**	**Net cash flows from investing activities**		**(9,365)**	**(9,365)**
		Financing activities			
20,350	20,350	Cash receipts of short and long-term borrowing		-	-
530	530	Other receipts from financing activities		779	779
(1,080)	(1,080)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts		(2,432)	(2,432)
(9,000)	(9,000)	Repayments of short and long-term borrowing		(171)	(171)
10,799	**10,799**	**Net cash flows from financing activities**		**(1,823)**	**(1,823)**
11,145	**11,145**	**Net increase or (decrease) in cash and cash equivalents**		**(657)**	**(657)**
411	411	Cash and cash equivalents at the beginning of the reporting period	19	11,557	11,557
11,557	**11,557**	**Cash and cash equivalents at the end of the reporting period**	**19**	**10,900**	**10,900**

The 2018/19 cash flow statement has been restated as a reporting error was discovered that has resulted in the requirement to gross up the investment and borrowing activities. The values of the net cashflows from investing and financing activities have remained unchanged.

Expenditure and Funding Analysis for the PCC for Norfolk Group

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 £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2018/19 £000	Group Position	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2019/20 £000
			Year Ended 31 March			
145,387	97,064	242,451	Constabulary	154,165	24,569	178,734
(3,365)	8,269	4,905	Office of the PCC	(6,852)	6,341	(511)
875	-	875	PCC commissioning	1,201	-	1,201
142,897	**105,334**	**248,230**	**Net cost of services**	**148,514**	**30,911**	**179,424**
(142,843)	13,439	(129,404)	Other income and expenditure	(148,675)	15,476	(133,199)
53	**118,773**	**118,826**	**Deficit/(surplus) on the provision of services**	**(161)**	**46,386**	**46,225**
18,338			Opening general fund balance at 31 March	18,285		
(53)			Surplus / (deficit) on general fund in year	161		
18,285			**Closing general fund balance at 31 March**	**18,446**		

Expenditure and Funding Analysis for the PCC for Norfolk

Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2018/19 £000	Office of the PCC	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2019/20 £000
			Year Ended 31 March			
(3,365)	8,269	4,905	Office of the PCC	(6,852)	6,341	(511)
875	-	875	PCC commissioning	1,201	-	1,201
170,528	-	170,528	Intra-group funding	175,091	-	175,091
168,038	**8,269**	**176,308**	**Net cost of services**	**169,440**	**6,341**	**175,781**
(167,985)	(5,607)	(173,593)	Other income and expenditure	(169,602)	(10,689)	(180,291)
53	**2,662**	**2,715**	**Deficit/(surplus) on the provision of services**	**(161)**	**(4,348)**	**(4,510)**
18,338			Opening general fund balance at 31 March	18,285		
(53)			Surplus / (deficit) on general fund in year	161		
18,285			**Closing general fund balance at 31 March**	**18,446**		

Notes to the Financial Statements for the PCC for Norfolk Group and PCC for Norfolk

Contents

1. Accounting Policies

General principles

The Statement of Accounts summarises the Group's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Group 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 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 5 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.

Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

Charges to the Comprehensive Income and Expenditure Statement (CIES) for Non-Current Assets

Net cost of services of the PCC is debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets.
- Revaluation and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets.

The PCC is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. However, it is required to make an annual contribution from revenue, the Minimum Revenue Provision (MRP), towards the reduction in the overall borrowing requirement (represented by the Capital Financing Requirement) equal to an amount calculated on a prudent basis determined by the PCC in accordance with statutory guidance.

Depreciation, amortisation, and revaluation and impairment losses are reversed from the General Fund and charged to the Capital Adjustment Account via the Movement in Reserves Statement (MIRS). MRP is charged to the General Fund along with any Revenue Funding of Capital and credited to the Capital Adjustment Account via the MIRS.

Guidance issued under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 enables authorities to calculate an amount of MRP, which they consider to be prudent. For capital expenditure incurred from 2008/09, the PCC has approved calculating the MRP using the Option 3 method, which results in MRP being charged over the related assets' useful life.

Property, plant and equipment

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

Recognition

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

All expenditure on the acquisition, creation or enhancement and disposal of non-current assets is capitalised subject to a de-minimis threshold of £10,000. Expenditure below this amount on an individual asset is treated as revenue, with the following exceptions:

- Desktop and laptop computers and tablets
- Monitors
- Communication devices including radios
- Servers
- Software licences
- Firearms including TASERs
- Vehicles with a life exceeding 12 months
- Annual Assets (projects incurring expenditure throughout the year which are not classified as assets under construction)
- Where government grant funding has been sought and received for specific expenditure on the assumption that both the grant and expenditure are treated as capital

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Group does not capitalise borrowing costs incurred on the acquisition or construction of fixed assets.

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

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

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

- Assets under construction – historic cost until the asset is live (assets under construction are not depreciated).
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

Where decreases in value are identified, they are accounted for in the following way:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the net cost of services of the PCC in the CIES.

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

Impairment

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

Where impairment losses are identified, they are accounted for in the following way:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight-line allocation over the useful life of the asset.

The Code requires that where a property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, where the remaining asset life is significantly different for identifiable components, unless it can be proved that the impact on the Group's Statement of Accounts is not material. The Group has assessed the cumulative impact of component accounting. As a result, the Group applies component accounting prospectively to assets that have a valuation in excess of £2m unless there is clear evidence that this would lead to a material misstatement in the Group's Financial Statements.

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

Depreciation or amortisation is charged in both the year of acquisition and disposal of an asset on a pro rata basis. Depreciation or amortisation is charged once an asset is in service and consuming economic benefit.

<u>Disposals and Non-Current Assets Held for Sale</u>

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

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

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

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

Amounts received for a disposal are categorised as capital receipts and are to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the PCC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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

Fair Value Measurement

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

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

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

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

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

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

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

Intangible assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Group can be determined by reference to an active market. In practice, no intangible asset held by the Group meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of a finite intangible asset is amortised over its useful life and charged to the net cost of services of the PCC in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the net cost of services of the PCC in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Council Tax

Billing authorities act as agents, collecting council tax on behalf of the major preceptors, which includes the PCC. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax collected could be less or more than predicted.

The council tax income included in the CIES is the PCC's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the PCC's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The Balance Sheet includes the PCC's share of the end of year balances in respect of council tax relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 work for the Constabulary, and all of the schemes are accounted for as defined benefit schemes.

The liabilities attributable to the Group 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 Group 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 services in the 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 services 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 Group 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.

<u>Discretionary Benefits</u>

The Group 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 Group 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.

Financial Instruments

Financial Liabilities

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

For the borrowings that the PCC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The PCC's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

The PCC recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the PCC.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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 Group when there is reasonable assurance that:

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

Amounts recognised as due to the Group 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.

Investment policy

The PCC works closely with its external treasury advisors Link Asset Services to determine the criteria for high quality institutions. The criteria for providing a pool of high-quality investment counterparties for inclusion on the PCC's 'Approved Authorised Counterparty List' is provided below:

- UK Banks which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

- Non-UK Banks domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the three credit rating agencies:

Non-UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- Part Nationalised UK Banks;
- The PCC's Corporate Banker (Barclays Bank) – if the credit ratings of the PCC's Corporate Banker fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time;
- Building Societies (which meet the minimum ratings criteria for UK Banks);
- Money Market Funds (which are rated AAA by at least one of the three major rating agencies);
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2019/20 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

Joint operations and joint assets

Joint operations are activities undertaken by the PCC or the Chief Constable in conjunction with other bodies, which involve the use of the assets and resources of the Group or the other body, rather than the establishment of a separate entity. The Group recognises on the PCC Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the relevant CIES with its 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.

Leases

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

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

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

The PCC as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

The PCC as Lessor

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the net cost of services line in the CIES. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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. As the Group is deemed to control the services that are provided under its PFI schemes, and for the Police Investigation Centres (PICs) ownership of the property, plant and equipment will pass to the Group at the end of the contracts for no additional charge, the Group carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The liability was written down by the initial contribution.

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

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

- Fair value of the services received during the year – debited to the Chief Constable’s net cost of services in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – these are included as part of the unitary payment such that the supplier absorbs any peaks and troughs throughout the life of the contract.

Provisions

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

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

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

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

The insurance claims provision is maintained to meet the liabilities for claims received but for which the timing and/or the amount of the liability is uncertain. The Group self-insures part of the third party, motor and employer’s liability risks. External insurers provide cover for large individual claims and to cap the total claims which have to be met from the provision in any insurance year. Charges are made to revenue to cover the external premiums and the estimated liabilities which will not be met by external insurers. Liability claims may be received several years after the event and can take many years to settle.

Contingent Liabilities

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

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 Group 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 PCC – these reserves are explained in the following paragraphs:

<u>Revaluation Reserve</u>

This Reserve records the accumulated gains on fixed assets arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred, only because the asset has been revalued. The balance on this Reserve for assets disposed is written out to the Capital Adjustment Account. The overall balance on this reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historic cost.

<u>Capital Adjustment Account</u>

This account accumulates (on the debit side) the write-down of the historical costs of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on this account represents timing differences between the amount of the historical cost of the fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

<u>Pension Reserve</u>

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 PCC 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 PCC and Chief Constable make employer's contributions to pension funds or eventually pay 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 PCC and Chief Constable have 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 Group'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).

Going Concern

The Code stipulates that the financial statements of local authorities that can only be discontinued under statutory prescription shall be prepared on a going concern basis. This assumption is made because local authorities carry out functions essential to the local community, and cannot be created or dissolved without statutory prescription. Transfers of services under combinations of public sector bodies do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting. However, in order to assist External Audit with establishing their going concern conclusion, a review of going concern is carried out by management. Refer to section 8 of the narrative report and Note 32 for detail of this review.

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
- Amendments to References to the *Conceptual Framework* in IFRS Standards
- Amendments to line item specifications for the net assets statement of a defined benefit pension fund

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.

The new leasing standard, IFRS 16 Leases, had been due to be implemented from 2020/21. However, due to the widespread impact of the Covid-19 global pandemic, the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of this standard for one year in line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the PCC 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. 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 has taken over the obligations arising from the PFI contracts entered into by the former Police Authority. One 30-year PFI contract was for the provision of newly built Police Investigation Centres, title to the assets will be retained by the PCCs of both Norfolk and Suffolk on completion of the contract. The other 35-year contract was for the provision of the Operations and Communications Centre at Wymondham. Associated assets have been capitalised and treated "on Balance Sheet" as required by IFRS.

- The PCC for Norfolk has a significant number of assets including those under Private Finance Initiatives (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 the PFI), and the capital and financing costs of the provision of those assets in the PCC accounts. 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 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.

- Establishing the valuation of operational and residential properties. Depreciation is a calculation based on asset value and expected useful lives of the assets. If the useful life of an asset is reduced then the depreciation charge to the CIES will increase. The PCC monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year.

4. 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 used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC 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 £199.8m.

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. However, the figure incorporates actual returns for the period 1 April 2019 to 31 March 2020. Investment returns have been significantly lower than expected, particularly in the last two months of the accounting period.

Property, Plant and Equipment

The value of land and property together with the asset lives are obtained from the PCC's appointed external valuers (NPS). The PCC relies upon the experience and knowledge of the valuer using the Royal Institute of Chartered Surveyors (RICS) *Appraisal and Valuation Manual* to provide a fair value under IAS16. The carrying value of land and buildings (excluding assets under construction and held for sale) at the Balance Sheet date was as follows:

Land	£13.6m
Property	£57.9m

The main factors which might cause significant material changes in the property valuations are the United Kingdom leaving the EU (Brexit) on 31 January 2020, and the Covid-19 global pandemic which was declared in the last quarter of the financial year. The former is one of the most significant economic events for the UK and is still subject to unprecedented levels of uncertainty, with the full range of possible effects unknown. The valuer has approached their valuation advice based on evidence preceding the Brexit deadline as it is not possible to predict the unknowable factors or all possible future implications resulting from current events surrounding Brexit. However, as at the balance sheet date, the Covid-19 pandemic had significantly overshadowed Brexit, and the effects on the property market were not yet able to be quantified or predicted with any degree of confidence as there is no comparable event to look back on in recent history. The valuations are therefore based on evidence and the valuer's view of the property market since 1 April 2019 up to the point the pandemic was declared or became evident in the UK, but were originally reported on the basis of a material valuation uncertainty. Subsequently, although the pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally, some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, if the properties were to be valued as at the end of September, the valuation would not be reported as subject to material valuation uncertainty.

Although the valuation estimate is based on the valuer's professional judgement, the following table shows the impact of an overall percentage fall in asset valuations on the balance sheet and CIES.

	Impact of a percentage drop in asset valuations		
	1%	10%	20%
	£000	£000	£000
Change in the carrying value of assets	(715)	(7,152)	(14,303)
Change in the revaluation reserve	(624)	(6,184)	(11,621)
Additional charge to Other Comprehensive Income and Expenditure in the CIES	91	968	2,683

5. 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.

6. Notes to the Expenditure and Funding Analysis

Adjustments between the CIES and the General Fund – Group

Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2018/19 £000	Group Position	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2019/20 £000
				Year Ended 31 March				
-	97,052	12	97,064	Constabulary	-	24,298	271	24,569
8,160	110	-	8,269	Office of the PCC	6,207	134	-	6,341
-	-	-	-	PCC commissioning	-	-	-	-
8,160	**97,162**	**12**	**105,334**	**Net Cost of Services**	**6,207**	**24,432**	**271**	**30,910**
(5,841)	19,077	203	13,439	Other income and expenditure	(11,470)	26,203	743	15,476
2,319	**116,239**	**215**	**118,773**	**Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)**	**(5,263)**	**50,635**	**1,014**	**46,386**

Adjustments between the CIES and the General Fund – PCC

Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2018/19 £000	Office of the PCC	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2019/20 £000
				Year Ended 31 March				
8,160	110	-	8,269	Office of the PCC	6,207	134	-	6,341
-	-	-	-	PCC commissioning	-	-	-	-
8,160	**110**	**-**	**8,269**	**Net Cost of Services**	**6,207**	**134**	**-**	**6,341**
(5,841)	30	203	(5,607)	Other income and expenditure	(11,470)	38	743	(10,689)
2,319	**140**	**203**	**2,662**	**Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)**	**(5,263)**	**172**	**743**	**(4,348)**

Expenditure and Income Analysed by Nature

Total Constab' £000	Total Office of the PCC £000	Total PCC's Comm' £000	Total Group 2018/19 £000	Total PCC 2018/19 £000		Total Constab' £000	Total Office of the PCC £000	Total PCC's Comm' £000	Total Group 2019/20 £000	Total PCC 2019/20 £000
					Year Ended 31 March					
					Expenditure					
229,671	839	268	**230,778**	**1,107**	Employee benefits expenses	168,833	426	715	**169,973**	**1,141**
28,915	2,952	1,868	**33,734**	**4,819**	Other service expenditure	29,233	2,512	2,692	**34,437**	**5,204**
-	8,160	-	**8,160**	**8,160**	Depreciation, amortisation & impairment	-	6,207	-	**6,207**	**6,207**
44,189	30	-	**44,219**	**30**	Net pensions interest cost	47,092	38	-	**47,130**	**38**
-	6,473	-	**6,473**	**6,473**	Interest payments	-	5,618	-	**5,618**	**5,618**
-	19	-	**19**	**19**	(Gains) / losses from derecognition of financial assets carried at amortised cost	-	-	-	**-**	**-**
-	85	-	**85**	**85**	Loss on the disposal of assets	-	15	-	**15**	**15**
302,775	**18,557**	**2,136**	**323,468**	**20,693**	**Total Expenditure**	**245,158**	**14,817**	**3,406**	**263,380**	**18,223**
					Income					
(6,830)	(320)	9	**(7,141)**	**(311)**	Fees, charges and other service income	(7,848)	(3,095)	(220)	**(11,163)**	**(3,315)**
-	(118)	-	**(118)**	**(118)**	Interest and investment income	-	(218)	-	**(218)**	**(218)**
-	(67,198)	-	**(67,198)**	**(67,198)**	Income from council tax	-	(75,210)	-	**(75,210)**	**(75,210)**
(9,305)	(119,642)	(1,237)	**(130,185)**	**(120,880)**	Government grants and contributions	(11,483)	(117,625)	(1,455)	**(130,564)**	**(119,081)**
(16,135)	**(187,278)**	**(1,228)**	**(204,641)**	**(188,506)**	**Total Income**	**(19,331)**	**(196,149)**	**(1,675)**	**(217,155)**	**(197,824)**
286,640	**(168,721)**	**908**	**118,826**	**(167,813)**	**Deficit/(Surplus) on the Provision of Services**	**225,826**	**(181,332)**	**1,731**	**46,225**	**(179,601)**
	170,528			**170,528**	Intra Group Funding		**175,091**			**175,091**
	1,807	**908**		**2,715**	**Deficit/(Surplus) on the Provision of Services after Intra Group Funding (Total PCC Only)**		**(6,241)**	**1,731**		**(4,510)**

7. Government Grants

The following grants and contributions were credited to the CIES during the year:

	Group		PCC	
	Amount Receivable for 19/20 £000	Amount Receivable for 18/19 £000	Amount Receivable for 19/20 £000	Amount Receivable for 18/19 £000
Credited to Taxation and Non Specific Grant Income				
General police grant	50,594	49,517	50,594	49,517
Council tax support grant	7,877	7,877	7,877	7,877
Council tax freeze grant	1,428	1,428	1,428	1,428
Capital grants and contributions	766	541	766	541
Former MHCLG funding	28,930	28,371	28,930	28,371
Precepts	75,210	67,198	75,210	67,198
	164,804	**154,931**	**164,804**	**154,931**
Credited to Other Operating Expenditure				
Home Office contribution to police pensions	20,927	25,142	20,927	25,142
	20,927	**25,142**	**20,927**	**25,142**
Credited to Services				
Police incentivisation	248	86	-	-
PFI grants (OCC and PICs)	6,758	6,758	6,758	6,758
Specific grant for police pensions	1,565	-	-	-
Vulnerability Coordination Centre	449	371	-	-
Other specific grants	11,009	10,084	1,787	1,237
	20,029	**17,301**	**8,546**	**7,997**

Other specific grants credited to services for the Group include £2.6m Operation Hydrant, a Specific Home Office Grant of £4.6m and a £1.1m Ministry of Justice Grant, the latter was wholly credited to services for the PCC.

8. Employees' Remuneration

The numbers of employees and senior police officers (Chief Superintendent and above) whose remuneration exceeded £50k in 2019/20 were as follows:

Group 2019/20	Group 2018/19	Remuneration	OPCC 2019/20	OPCC 2018/19
6	12	£50,000 - £54,999	-	2
15	10	£55,000 - £59,999	1	1
3	1	£60,000 - £64,999	1	-
7	4	£65,000 - £69,999	-	-
4	2	£70,000 - £74,999	1	1
2	4	£75,000 - £79,999	-	-
2	4	£80,000 - £84,999	-	-
4	1	£85,000 - £89,999	-	-
2	2	£90,000 - £94,999	-	-
-	2	£95,000 - £99,999	-	1
1	-	£100,000 - £104,999	1	-
2	-	£105,000 - £109,999	-	-
-	1	£110,000 - £114,999	-	-
-	1	£115,000 - £119,999	-	-
2	-	£120,000 - £124,999	-	-
	1	£165,000 - £169,999	-	-
1	-	£170,000 - £174,499	-	-

"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 £95,000 - £99,999 band for the Group in 2018/19, 0.4 FTE relates to the PCC CFO. The CFO acted as CFO for the Chief Constable and the PCC. The 0.4 FTE relating to the PCC share of the FTE based on days contracted, falls out of the banding ranges for the OPPC.

In addition to the above the Accounts and Audit Regulations 2015 require a detailed disclosure of employees' remuneration for relevant police officers, those holding statutory office and other persons with a responsibility for management of the PCC. Officers listed in the table below 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	-	8	179
Deputy Chief Constable (from 01.01.20)	124	36	5	165
Temporary DCC (to 31.12.19)				
Deputy Chief Constable (from 24.03.20)	120	36	6	162
Temporary DCC (from 25.11.19 to 23.03.20)				
Assistant Chief Constable - Joint (to 24.11.19)				
Temporary Assistant Chief Constable	108	27	3	138
Temporary Assistant Chief Constable (from 01.01.20)	92	27	-	119
Assistant Chief Officer	109	17	-	126
Police and Crime Commissioner	71	13	-	84
Chief Executive (PCC)	103	18	-	121
CFO (PCC) - 0.6 FTE (from 28.05.19)	39	7	-	46
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)	111	26	5	143
Assistant Chief Constable (to 24.09.18)				
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
Police and Crime Commissioner	71	13	-	84
Chief Executive (PCC)	94	17	-	110
CFO (PCC) - 0.4 FTE	33	-	-	33

During 2019/20 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% 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% 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 total cost per band are set out in the table below. The 2018/19 Group values include exit packages paid in relation to the PCC's Office within the £20,001 to £40,000 band.

Exit Package Cost Band including Special Payments	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	2018/19
£000							£000	£000
Group								
0-20	1	12	-	1	1	13	3	143
20-40	-	4	1	2	1	6	30	149
40-60	1	-	-	-	1	-	41	-
60-80	-	2	-	-	-	2	-	122
80-100	-	2	-	-	-	2	-	175
	2	20	1	3	3	23	74	589

9. Related Party Transactions

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

During 2019/20 there were no material related party transactions involving officers of the PCC or senior officers of the Constabulary, other than those included under employee's remuneration set out in Note 8 of these financial statements. The PCC and other senior 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 PCC, it is responsible for providing the statutory framework within which the PCC operates, provides the majority of its funding and prescribes the terms of many of the transactions that the PCC has with other parties. Income from central government is set out in Note 7 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements, these are fully disclosed in Note 10.

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

10. 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 were 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 Collaboration

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	**Total 2018/19 £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.

11. Council Tax

The Norfolk district, city and borough councils are required to collect the amount of council tax determined by the PCC for policing the county. In 2019/20 the precept, including the estimated 2018/19 collection fund surplus/(deficit), was paid to the PCC during the year and amounted to £76.0m distributed as shown below. The Code requires that Council Tax income included in the CIES for the year should be prepared on an accruals basis. The cash received from the billing authorities is therefore adjusted for the PCC's share of the outturn opening and closing balances on the Collection Fund. These adjustments are however then taken to the Collection Fund Adjustment Account and included as a reconciling item in the MiRS to ensure that only the statutory amount is credited to the General Fund. The figures credited to the CIES are broken down as follows:

2018/19 £000		Received from Billing Authority £000	Outturn surplus/(deficit) on Collection Fund at 31.3.19 £000	31.3.20 £000	Total 2019/20 £000
9,842	Breckland	11,095	1	(21)	11,073
10,426	Broadland	11,662	(40)	(43)	11,658
11,564	King's Lynn & West Norfolk	13,349	395	150	13,104
8,440	Norwich	9,540	709	460	9,292
6,502	Great Yarmouth	7,335	32	(74)	7,229
9,322	North Norfolk	10,507	257	84	10,334
11,101	South Norfolk	12,464	17	73	12,520
67,198		**75,953**	**1,372**	**629**	**75,210**

The Code of Practice also requires the PCC to account for its share of net council tax arrears and prepayments within the Balance Sheet. This is offset within the Balance Sheet by an associated balance that reflects the difference between the net attributable share of cash received by the billing authorities from council tax debtors/creditors and the amounts paid to the PCC. The amounts owed to/from billing authorities in respect of council tax at the year-end were as follows:

Balance at 31.3.19 £000		Collection Fund £000	Net Arrears £000	Pre-payments £000	Balance at 31.3.20 £000
267	Breckland	21	470	(137)	355
22	Broadland	43	112	(131)	24
(211)	King's Lynn & West Norfolk	(150)	459	(217)	91
(640)	Norwich	(460)	217	(234)	(477)
250	Great Yarmouth	74	500	(165)	409
(246)	North Norfolk	(84)	251	(194)	(27)
93	South Norfolk	(73)	296	(147)	75
(465)		**(629)**	**2,305**	**(1,225)**	**450**

12. External Audit Fees

The Group fees payable in respect of external audit services were as follows:

2018/19 £000		2019/20 £000
	The Group has incurred the following costs in relation to the audit of the Statement of Accounts	
30	The PCC for Norfolk	26
17	The Chief Constable of Norfolk	12
47		**38**

The PCC fees payable in respect of external audit services are identified separately in the above table.

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 £4.0k attributable to the PCC and £5.4k attributable to the Chief Constable was included.

No audit fees have been payable for non-audit work.

13. Non-Current Assets

Land and buildings £000	Vehicles plant and equipment £000	Assets under con-struction £000	Total £000		Land and buildings £000	Vehicles plant and equipment £000	Assets under con-struction £000	Total £000
			106					101
				Property, Plant & Equipment				
				Historic cost or revaluation				
67,217	31,543	970	99,730	Balance at 1 April	62,936	29,715	970	93,621
(111)	89	(651)	(672)	Reclassifications	1,650	(149)	(1,926)	(424)
(380)	3,953	650	4,224	Additions	3,054	4,559	4,917	12,530
-	(5,871)	-	(5,871)	Derecognition - disposals	(11)	(2,378)	-	(2,389)
(3,791)	-	-	(3,791)	Revaluation gains/losses	5,564	-	-	5,564
62,936	**29,715**	**970**	**93,621**	**Balance at 31 March**	**73,193**	**31,748**	**3,961**	**108,902**
				Depreciation and impairments				
5,535	19,905	-	25,440	Balance at 1 April	1,682	17,563	-	19,245
1	27	(30)	(3)	Reclassifications	(7)	-	-	(7)
(6,457)	-	-	(6,457)	Depreciation written out on revaulation	(2,632)	-	-	(2,632)
-	(5,711)	-	(5,711)	Derecognition - disposals	-	(2,238)	-	(2,238)
2,604	3,342	30	5,976	Depreciation for the year	2,633	3,595	-	6,228
1,682	**17,563**	**-**	**19,245**	**Balance at 31 March**	**1,676**	**18,919**	**-**	**20,595**
61,682	11,638	970	74,290	Opening Net book value	61,254	12,152	970	74,375
61,254	**12,152**	**970**	**74,375**	**Closing Net book value**	**71,517**	**12,829**	**3,961**	**88,307**
				Revaluation movements above are reflected in the CIES as follows:				
			1,369	Charged/(credited) to the Net Cost of Services □				(514)
			(4,036)	Charged/(credited) to Other Comprehensive Income and Expenditure				(7,683)
			(2,667)					**(8,196)**

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on land and buildings (£3,461k), plant and equipment (£392k) and IT systems (£108k).

Included in land and buildings is land at Bury St Edmunds on which a Police Investigation Centre (PIC) has been built. Suffolk PCC has legal title to this land; however, Norfolk PCC owns 30% of the beneficial interest in the land, with the remaining 70% owned by Suffolk PCC, who is co-occupier of the centre. Therefore only 30% of the current value of the land is included in the table above, amounting to £291k. The PCC also holds legal title to land at Great Yarmouth on which a PIC has been built, however 50% of the beneficial interest of this land is held by Suffolk PCC. The current value of this land in the balance sheet amounts to £315k. The depreciation and amortisation policy is set out in Note 1. Assets have been depreciated on a straight-line basis over their economic useful lives.

Intangible Assets

Software licences £000 31 March 2019		Software licences £000 31 March 2020
	Purchased intangible assets	
	Historic cost or revaluation	
5,716	Balance at 1 April	6,450
387	Reclassifications	80
538	Additions	278
(191)	Derecognition - disposals	-
6,450	**Balance at 31 March**	**6,808**
	Amortisation	
2,758	Balance at 1 April	3,381
814	Amortisation for the year	492
(191)	Derecognition - disposals	-
3,381	**Balance at 31 March**	**3,873**
2,958	Opening Net book value	3,069
3,069	**Closing Net book value**	**2,935**

Valuations

Land and Buildings

The freehold and leasehold properties of the PCC's property portfolio are individually valued as part of a rolling 5-year programme, significant properties are valued annually. The valuations, carried out by the PCC's professional advisors, NPS Property Consultants, are in accordance with their appraisal and valuation manual. Their valuer is a qualified member of the Royal Institute of Chartered Surveyors (RICS).

In order to calculate buildings depreciation, the valuers have provided separate valuations for the land and building elements of each property valuation. The valuers also provide an estimate of the remaining economic useful life of the assets. They are also asked to carry out an annual review of the remaining properties on which no formal valuation was carried out in the year.

Plant and machinery which are part of the building or property (for example, central heating systems) have been included in valuations. This is in accordance with appendices to Practice Statements of the RICS appraisal valuation manual. Moveable plant, machinery, fixtures and fittings, which do not form part of the building, have been excluded from the valuations of land and buildings.

Non-specialised operational properties were valued on the basis of existing use value (EUV). Specialised operational properties should also be valued on an EUV basis, or where this could not be assessed because there was no market for the subject asset, they were valued according to the depreciated replacement cost.

Vehicles, Plant and Equipment and Software Licences

Vehicles, plant and equipment and software licences are valued at depreciated historic cost as a proxy for current value. The breakdown of the current value of property, plant and equipment by valuation basis at the year-end is as follows:

	Other land and buildings £000	Vehicles plant and equipment £000	Assets under con--struction £000	Total £000
Carried at historical cost	5,189	12,829	3,961	21,979
Valued at fair value during year ended:				
31 March 2020	57,985	-	-	57,985
31 March 2019	2,961	-	-	2,961
31 March 2018	3,146	-	-	3,146
31 March 2017	826			826
31 March 2016	419	-	-	419
31 March 2015	989	-	-	989
Balance at 31st March 2020	**71,517**	**12,829**	**3,961**	**88,307**

14. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2019/20 are set out below:

2018/19 £000		2019/20 £000
90,463	Opening capital financing requirement	89,023
	Capital investment	
538	Intangible fixed assets	278
3,573	Operational assets	7,613
650	Non operational assets	4,917
	Sources of finance	
(74)	Capital receipts	(501)
(751)	Government grants and other contributions	(638)
(3,485)	Direct revenue contributions	(7,476)
(1,892)	Revenue provision including MRP	(3,230)
89,023	**Closing capital financing requirement**	**89,986**
	Explanation of movements in year	
(1,441)	Increase/(decrease) in underlying need to borrow	963
(1,441)	**Increase/(decrease) in capital financing requirement**	**963**

The Minimum Revenue Provision (MRP) is a mechanism to set aside revenue funds for the redemption of debt. The Local Authorities (Capital Finance and Accounting) Regulations 2015 are issued under Section 21 of the Local Government Act 2003 and now allow authorities a variety of options in calculating their MRP. The options chosen were that MRP calculated using Option 2 be used for capital expenditure up to and including 31 March 2008 and Option 3 for all capital expenditure thereafter. Option 3 results in MRP being charged over the asset's remaining useful life. Accounting for PFIs and Finance Leases require that on balance sheet assets are also funded through MRP, the amount charged is equivalent to the capital element of the liability repaid during the year. The total amount charged to MRP in 2019/20 was £3,230k (2018/19 - £1,892k).

15. Private Finance Initiative

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 £1.444m (£1.517m in 2018/19). Payments remaining to be made under the PFI contract at 31 March 2020 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Revenue Services £000	Capital Payments £000	Interest £000	Total £000
Payable in 2020/21	1,468	557	2,830	4,856
Payable within two to five years	6,250	2,951	10,600	19,801
Payable within six to ten years	7,812	6,054	10,884	24,750
Payable within eleven to fifteen years	8,688	10,447	6,491	25,627
Payable within sixteen to twenty years	3,217	4,542	652	8,412
	27,436	**24,552**	**31,458**	**83,445**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital remains to be reimbursed.

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 6 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 £0.520 m in respect of services provided at the Kings Lynn PIC. From October 2019 Cambridgeshire police withdrew from this arrangement.

A summary of the sites, their initial contract capital value and the respective PCC interest in each site is shown in the table below:

Sites and opening dates	Norfolk Cells	Suffolk Cells	Cambridge -shire Cells	Capital Contract Value £000	Norfolk Historic Cost 31.3.20 £000	Norfolk Historic Cost 31.3.19 £000
Aylsham - 28.2.11	8	-	-	6,967	6,967	6,967
Wymondham - 4.4.11	30	-	-	11,398	11,398	11,398
King's Lynn - 25.4.11	16	-	8	10,749	10,749	10,749
Ipswich - 6.6.11	-	30	-	12,012	-	-
Bury St Edmunds - 4.7.11	8	16	-	10,621	3,540	3,540
Gt Yarmouth - 7.11.11	15	15	-	12,680	6,340	6,340
	77	**61**	**8**	**64,427**	**38,994**	**38,994**

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.

	Revenue Services £000	Capital Payments £000	Interest £000	Contingent Rent £000	Total £000
Payable in 2020/21	1,969	702	2,704	31	5,406
Payable within two to five years	7,564	4,070	10,136	390	22,160
Payable within six to ten years	12,850	5,302	10,948	(85)	29,015
Payable within eleven to fifteen years	14,858	7,779	8,322	(306)	30,654
Payable within sixteen to twenty years	13,530	13,435	4,312	1,231	32,508
Payable within twenty one to twenty five years	5,301	2,023	151	(1,304)	6,171
	56,073	**33,311**	**36,573**	**(43)**	**125,914**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital remains to be reimbursed.

During 2019/20 a review of the original PFI model was carried out and it was concluded that although materially accurate, it did not follow Code principles. The model was revised, resulting in an adjustment to the opening liability of £1.247m, reciprocal opening adjustments were made to MRP, PFI interest and contingent rent. The movement in the capital liability on the Norfolk PCC Balance Sheet during the year is shown in the following table:

	31 March 2020 £000	31 March 2019 £000
PFI - PICs		
Balance outstanding at the beginning of the year	35,243	35,875
Adjustment arising from remodelling of PFI Liabilities	(1,247)	-
Capital repayments during the year	(685)	(632)
Balance outstanding at year end	**33,311**	**35,243**
PFI - OCC		
Balance outstanding at the beginning of the year	25,052	25,500
Capital repayments during the year	(500)	(448)
Balance outstanding at year end	**24,552**	**25,052**
Total balance outstanding at year end	**57,863**	**60,295**
Made up as follows:		
Due in less than one year	1,260	1,179
Due in more than one year	56,603	59,116
	57,863	**60,295**

The net book value of the assets capitalised as part of the OCC and PIC PFI contracts is made up as follows:

	31 March 2020 £000	31 March 2019 £000
Net book value at the beginning of the year	37,999	38,420
Additions	-	-
Revaluations during the year	9,400	1,867
Depreciation during the year	(2,150)	(2,288)
Net book value at the end of the year	**45,249**	**37,999**

16. Retirement Benefits

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 pension 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 meets 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 is 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 Group'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 Group 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:

	Group				PCC	
	LGPS		Police Pensions Schemes		LGPS	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of services						
Current service costs	15,251	12,229	42,890	29,930	283	235
Past service costs	73	1,369	(6,610)	75,670	-	26
Financing and investment income and expenditure						
Net interest expense	3,050	2,469	44,080	41,750	38	30
Total post employment benefit charges to the surplus or deficit on the provision of service	**18,374**	**16,067**	**80,360**	**147,350**	**321**	**291**
Other post employment benefit charged to the CIES						
Return on plan assets (excluding the amount included in the net interest expense)	19,184	(5,737)	-	-	(155)	(46)
- Actuarial gains/losses arising from changes in demographic assumptions	(9,159)	-	(54,070)	-	(117)	-
- Actuarial gains/losses arising from changes in financial assumptions	(39,442)	31,190	(66,210)	50,750	(356)	270
- Other	(13,297)	88	(34,646)	(4,664)	637	2
	(42,714)	25,541	(154,926)	46,086	9	226
Total post employment benefit charged to the CIES	**(24,340)**	**41,608**	**(74,566)**	**193,436**	**330**	**517**
Movement in Reserves Statement (MIRS):						
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**24,340**	**(41,608)**	**74,566**	**(193,436)**	**(330)**	**(517)**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	7,395	6,972	-	-	149	151
Retirement benefits payable to pensioners	-	-	40,704	40,206	-	-
Net charge to the General Fund	**7,395**	**6,972**	**40,704**	**40,206**	**149**	**151**

Assets and liabilities in relation to retirement benefits

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Present value of liabilities	(299,375)	(340,951)	(1,680,280)	(1,795,550)	(3,819)	(3,291)
Fair value of plan assets	208,260	218,101	-	-	2,189	1,842
Total Net liabilities	**(91,115)**	**(122,850)**	**(1,680,280)**	**(1,795,550)**	**(1,630)**	**(1,449)**

Reconciliation of present value of the scheme liabilities

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	340,951	290,908	1,795,550	1,642,320	3,291	2,652
Current service cost	15,251	12,229	42,890	29,930	283	235
Interest cost	8,346	7,994	44,080	41,750	86	75
Contributions by scheme participants	2,219	2,061	8,540	7,870	53	49
Remeasurement (gains) and losses:						
- Actuarial gains/losses arising from changes in demographic assumptions	(9,159)	-	(54,070)	-	(117)	-
- Actuarial gains/losses arising from changes in financial assumptions	(39,442)	31,190	(66,210)	50,750	(356)	270
- Other	(13,248)	21	(34,646)	(4,664)	634	-
Past service costs	73	1,369	(6,610)	75,670	-	26
Benefits paid	(5,616)	(4,821)	(49,244)	(48,076)	(55)	(16)
Closing balance at 31 March	**299,375**	**340,951**	**1,680,280**	**1,795,550**	**3,819**	**3,291**

Reconciliation of fair value of scheme assets

	Group				PCC	
	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Schemes		Funded Assets Local Government Pension Scheme	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening fair value of scheme assets at 1 April	218,101	202,694	-	-	1,842	1,569
Interest income	5,296	5,525	-	-	48	45
Remeasurement gain/(loss):						
- the return on plan assets, excluding the amount included in the net interest expense	(19,184)	5,737	-	-	155	46
Other	49	(67)	-	-	(3)	(2)
Contributions from employer	7,395	6,972	40,704	40,206	149	151
Contributions from employees into the scheme	2,219	2,061	8,540	7,870	53	49
Benefits paid	(5,616)	(4,821)	(49,244)	(48,076)	(55)	(16)
Closing fair value of scheme assets at 31 March	**208,260**	**218,101**	**-**	**-**	**2,189**	**1,842**

The total net pensions liabilities of £1,771m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,751m. However, the financial position of the PCC 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.

Norfolk County Council is required to have a funding strategy for elimination of deficits in the LGPS, 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 Group'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.

Group Fair Value of Scheme Assets 31 March 2020 £000	%	31 March 2019 £000	%		PCC Fair Value of Scheme Assets 31 March 2020 £000	%	31 March 2019 £000	%
5,510	**2.65**	**5,445**	**2.50**	Cash and cash equivalents	**58**	**2.65**	**46**	**2.50**
				Equity instruments - industry type:				
7,717		13,519		- Consumer	81		114	
6,119		11,169		- Manufacturing	64		94	
1,866		4,883		- Energy and utilities	20		41	
5,231		11,825		- Financial institutions	55		100	
4,834		5,249		- Health and care	51		44	
6,428		10,673		- Information technology	68		90	
3		8		- Other	0		0	
32,198	**15.46**	**57,325**	**26.28**	Sub total equity	**338**	**15.46**	**484**	**26.28**
				Bonds - by Sector				
2,420		2,499		- Government	25		21	
2,420	**1.16**	**2,499**	**1.15**	Sub total bonds	**25**	**1.16**	**21**	**1.15**
				Property - by type				
17,920		21,589		- UK property	189		182	
4,103		4,167		- Overseas property	43		35	
22,023	**10.57**	**25,756**	**11.81**	Sub total property	**232**	**10.58**	**218**	**11.81**
12,533	**6.02**	**13,465**	**6.17**	Private equity - all:	**132**	**6.02**	**114**	**6.17**
				Other investment funds:				
60,193		37,529		- Equities	633		317	
67,859		75,519		- Bonds	713		638	
5,817		0		- Infrastructure	61		0	
133,868	**64.28**	**113,048**	**51.83**	Sub total other investment funds	**1,407**	**64.28**	**955**	**51.83**
				Derivatives:				
(292)		(60)		- Foreign exchange	(3)		(1)	
0		623		- Other	0		5	
(292)	**-0.14**	**562**	**0.26**	Sub total derivatives	**(3)**	**-0.14**	**5**	**0.26**
208,260	**100**	**218,101**	**100**	**Total Assets**	**2,189**	**100**	**1,842**	**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 in this table.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in this table. 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 analyses 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.

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	2019/20	2018/19	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	21.7	22.1
Women	23.9	24.4	23.6	24.3	23.9	24.1
Longevity at 65 for future pensioners						
Men	22.8	24.1	23.6	24.6	22.8	24.4
Women	25.5	26.4	25.2	26.2	25.5	26.4
Rate of inflation (CPI)	1.80%	2.50%	2.00%	2.35%	1.80%	2.40%
Rate of increases in salaries	2.50%	2.80%	4.00%	4.35%	2.50%	2.70%
Rate of increase in pensions	1.80%	2.50%	2.00%	2.35%	1.80%	2.40%
Rate for discounting scheme liabilities	2.30%	2.40%	2.25%	2.45%	2.30%	2.50%
Rate of CARE revaluation	n/a	n/a	3.25%	3.60%	n/a	n/a

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	Approximate Increase to Employers Liability	Approximate Monetary Amount	Approximate Increase to Employers Liability	Approximate Monetary Amount	Approximate Increase to Employers	Approximate Monetary Amount
	%	£000	%	£000	%	£000
0.5% decrease in real discount rate	12.0%	35,796	10.0%	164,000	14.0%	551
1 year increase in member life expectancy	3-5%	8,929-14,882	3.0%	49,000	3-5%	118-197
0.5% increase in the salary increase rate	1.0%	4,493	1.0%	20,000	2.0%	95
0.5% increase in the pension increase rate	10.0%	30,945	8.0%	131,000	12.0%	448

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 and 2019/20, with assumption changes reflected in actuarial gains and losses in 2019/20.

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 latest 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 The Police Pension Fund Regulations 2007. These require a police body to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers 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.

Impact on the Group's cashflow

The objectives of the LGPS scheme, as set out in the funding strategy statement, are to keep employer's contributions at as constant a rate as possible. Norfolk County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The minimum employer contributions payable over the next year for the PCC for Norfolk Group is 18% plus £1.269m (17.8% plus £1.259m 2018/19). The last triennial valuation was dated 31 March 2019.

Estimated employer's contributions for 2020/21 amount to £7.378m on the LGPS and £40.4m on the Police schemes.

The weighted average duration of the defined benefit obligation for the LGPS is Group 22.0 years and PCC 29.0 years, 2019/20 (Group 21.9 years, PCC 28.4 years, 2018/19) and for the Police schemes is 21.0 years, 2019/20 (22.0 years, 2018/19).

17. Short-Term Investments

Surplus cash is invested for periods of up to one year in accordance with the approved treasury management policy. At 31 March 2020 temporary lending comprised:

	31 March 2020 £000	31 March 2019 £000
Money market and temporary cash deposits		
Banks	3,000	6,000
Total temporary lending	**3,000**	**6,000**
Represented by:		
Short term investments	3,000	6,000

18. Debtors and Prepayments

	31 March 2020 £000	31 March 2019 £000
Short term debtors:		
Trade receivables	1,890	1,524
Prepayments	3,848	1,906
Accrued income	4,958	4,508
Debtors relating to local taxation	2,809	3,149
Other receivable amounts	2,359	3,596
Balance at 31 March	**15,864**	**14,683**

19. Cash and Cash Equivalents

	31 March 2020 £000	31 March 2019 £000
Imprest accounts	68	68
Bank current accounts	1,561	(20)
Instant access deposits with banks	9,271	11,510
Balance at 31 March	**10,900**	**11,557**

20. Assets Held for Sale

	Current		Non-current	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Balance at 1 April	447	165	-	-
Assets newly classified as held for sale:				
Property, plant and equipment	337	282	-	-
Assets sold	(367)	-	-	-
Balance at 31 March	**417**	**447**	**-**	**-**

21. Creditors

	Group		PCC	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Short term creditors:				
Trade payables	3,131	1,996	3,131	1,996
Accruals and receipts in advance	8,841	8,080	7,809	7,318
Creditors relating to local taxation	2,179	1,776	2,179	1,776
Other payables	4,781	4,926	4,781	4,926
Balance at 31 March	**18,933**	**16,778**	**17,900**	**16,016**

22. Reconciliation of Revenue Cash Flow

Group 2018/19 £000	Group 2018/19 £000	PCC 2018/19 £000	PCC 2018/19 £000		Group 2019/20 £000	Group 2019/20 £000	PCC 2019/20 £000	PCC 2019/20 £000
				Adjustment for non cash or cash equivalent items within deficit on provision of services:				
8,160		8,160		Depreciation and impairments		6,207		6,207
85		85		Profit and loss on disposal of fixed assets		15		15
-		-		Internal capital movement met from revenue		-		-
116,239		140		Movements on pension liability		50,635		172
124,484		8,385				56,857		6,395
	579		567	Increase/(decrease) in revenue creditors	2,005		1,733	
	4,119		4,119	Decrease/(increase) in revenue debtors	(1,182)		(1,182)	
	101		101	Decrease/(increase) in stocks	(39)		(39)	
	(1,275)		(1,275)	Increase/(decrease) in revenue provisions	(105)		(105)	
3,524		3,512				678		407
128,008		**11,897**				**57,536**		**6,802**
				The total cash flows for operating activities include:				
6,441		6,441		Interest paid and similar charges		5,826		5,826
(112)		(112)		Interest received		(212)		(212)

23. Reconciliation of Liabilities Arising from Financing Activities

	1 April 2019	Adjustment to Opening Balance	Financing cash flows	Non-cash Changes Acquisition	Other Non-cash changes	31 March 2020
	£000	£000	£000	£000		£000
Long term borrowings	23,917		(171)	-	(5)	23,742
Short term borrowings	490		-	-	(203)	287
On balance sheet PFI liabilities	60,295	(1,247)	(1,185)	-	-	57,863
Total liabilities from financing activities	**84,702**	**(1,247)**	**(1,356)**	**-**	**(208)**	**81,892**

24. 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 anticipated. At this point in time it is not possible to assess the number of claims or the financial exposure arising from them.

Police ICT Company

Along with other PCCs, the PCC for Norfolk has provided a limited guarantee to support the cash flows of the Police ICT Company. The guarantee is provided to enable the Company to contract for National Police ICT programmes, without this financial backing it is unlikely that the company will be able to operate as a contracting authority at the required scale. The guarantee is currently limited to £65.1k.

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 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 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.

25. Provisions

Insurance

The PCC self-insures a number of risks up to a predetermined limit with insurance only being bought externally to cover losses beyond this. This provision is in place to finance any liabilities or losses that are likely to be incurred but uncertain as to the amounts or the dates on which they will arise.

Employment Tribunals and Judicial Reviews

The provision balance as at 31 March 2020 relates to £224k for Employment Tribunals and £2k for Judicial Reviews. As these cases are subject to legal and other investigative proceedings no further details can be provided.

This figure has been estimated based on the professional guidance given to the PCC as to the likelihood of these claims being successful. The effect of the inaccuracy in these assumptions cannot be measured as they are based purely on professional judgement at a point in time.

Exit Packages

The exit package provision balance as at 31 March 2020 was to provide for costs yet to be paid for one employee who is expected to leave the organisation, by reason of redundancy or other agreed departure, but who had not left at the end of the year.

	Balance 1 April 2019 £000	Charge in year £000	Paid/ Reversed in year £000	Balance 31 March 2020 £000
Insurance claims	938	332	(471)	799
Employment tribunals and judicial reviews	10	284	(67)	226
Other revenue provisions	32	19	(7)	44
Exit packages	224	74	(268)	30
Total	**1,204**	**708**	**(813)**	**1,099**

26. Leases

All significant leases have been assessed to identify the appropriate lease category.

Operating Lease as Lessee:

The PCC has a number of properties and some equipment on short term lease arrangements which have been accounted for as operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	560	529
later than one year but not later than five years	1,167	812
later than five years	26	30
	1,753	**1,371**

The amount charged to the service lines in respect of operating leases amounts to:

	31 March 2020 £000	31 March 2019 £000
Minimum lease payments	801	820
Contingent rents	27	314
	827	**1,134**

Operating Leases as Lessor:

The PCC has granted several leases on properties which have been accounted for as operating leases. The future minimum lease payment receivable under uncancellable leases in the future years are:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	57	28
later than one year but not later than five years	32	22
	89	**50**

The amount credited to the service lines in respect of operating leases income is:

	31 March 2020 £000	31 March 2019 £000
Minimum lease payments	124	125
Contingent rents	16	3
	140	**128**

27. Earmarked Balances within the General Fund

The movements in general fund and earmarked balances in 2019/20 are analysed as follows:

	Note	Balance 1 April 2019 £000	Received £000	Applied £000	Reallocated £000	Balance 31 March 2020 £000
Revenue reserves:						
Regional Partnership	**(a)**	71	-	(71)	-	-
Budget Support	**(b)**	2,338	1,003	(72)	(1,958)	1,310
Invest to Save	**(c)**	762	800	(169)	732	2,125
Capital Financing & Efficiency	**(d)**	6,360	2,812	(4,075)	512	5,609
Insurance	**(e)**	786	-	-	214	1,000
PCC	**(f)**	1,598	55	(35)	-	1,618
Safety Camera	**(g)**	1,894	339	(1,022)	-	1,210
Maturity Loan Repayment Reserve	**(h)**	-	598	-	-	598
Community Safety Reserve	**(i)**	-	-	-	500	500
Total		**13,809**	**5,606**	**(5,445)**	**-**	**13,969**
General Reserve		**4,475**	**-**	**-**	**-**	**4,475**

The purpose and strategy for each reserve is set out below:

(a) Regional Partnership Reserve

This reserve holds ring-fenced funds in relation to regional activity. In 2019/20 the use of this reserve is as a consequence of the overspend in relation to the Eastern Region Special Operations Unit (ERSOU).

(b) Budget Support Reserve

The Budget Support Reserve was being held as a contingency against future demand led pressures, and had also been used to deal with the funding pressures arising from austerity. In 2019/20 an element of this reserve was to be used to fund revenue costs as outlined in the previous MTFP. The reduced requirement on reserves in 2019/20 has enabled the protection of the Budget Support Reserve in order to allow funds to be earmarked in relation to future cost pressures that may arise from the impact on the economy of Covid-19, as well as from operational cost pressures such as the introduction of the Police Education Qualification Framework.

(c) Invest to Save Reserve

This reserve provides funding for initiatives that will generate future savings and also provides funds to support the cost of change.

(d) Capital Financing and Efficiency Improvement Reserve

This reserve is used to fund the short-life asset element of the capital programme. The reserve is used when the amount required for investment exceeds the budget available for this purpose. This is an important part of the funding strategy to ensure the Constabulary is as efficient and productive as possible through continued investment in enabling technologies. The strategy is to “top-up” this reserve in the last two years of the Medium-Term Financial Plan to leave a balance to fund further investment beyond the planned period.

(e) Insurance Reserve

This reserve is being held as a contingency against future increases in premiums and / or increases in the value of assessed insurance liabilities. The reserve and also the provision within the accounts are actuarially assessed by external advisors and as a consequence the reserve has been increased to £1m.

(f) PCC Reserve

This reserve is made up from previous underspends against the budgets of the Office of the Police and Crime Commissioner and the commissioning budget. The reserve is used to smooth commissioning spending over the MTFP period and to commission additional services in the community or delivered by the Constabulary, for instance in supporting victims.

(g) Safety Camera Reserve

This reserve is held on behalf of the PCC, Chief Constable and Norfolk County Council. Income is dependent upon the number of speed awareness courses delivered. The use is reviewed and agreed at the Safety Camera Oversight Board.

(h) Maturity Loan Repayment Reserve

This reserve has been established to build up the balances required to repay legacy maturity loans, i.e. interest only loans, the bulk of which were taken out in the 1990s.

(i) Community Safety Reserve

This reserve has been established to enable the PCC to work with the Community Safety Partnership and its respective partners to support evidence-based projects at a county wide and local neighbourhood level.

28. Unusable Reserves

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to and from the account. This is now calculated on a triennial basis unless in year assessments identify a material movement.

The Revaluation Reserve shows the net accumulated unrealised gains on non-current assets arising from increases in value, as a result of inflation or other factors. The reserve is debited to reflect: the revaluation element of the depreciation charge, revaluation losses or impairments against previous revaluation gains and when assets with accumulated revaluation gains are disposed of. Any balance remaining in the reserve, relating to an asset that has been disposed of, is removed from the reserve by way of a transfer to the Capital Adjustment Account.

The Capital Adjustment Account accumulates the resources that have been set aside to finance capital expenditure. The consumption of the historical cost by way of depreciation, impairment and disposal is removed from the account throughout the asset's useful life. The balance on this account therefore represents timing differences between financing and consumption of non-current assets.

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. It is also used to manage discounts received on the early redemption of loans. Discounts are credited to the CIES when they are received, but are reversed to the General Fund, this income is then posted from the General Fund in accordance with statutory arrangements for spreading the budget on council tax.

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provision. The Group 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 benefits earned to be financed as the Group makes employer's contributions to pension funds or eventually pay for any pensions for which it is directly responsible. The debit balance on the reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

Movements in unusable reserves are summarised in the Movement in Reserves Statement and are shown in detail below:

Group:

Year Ended 31 March 2020	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2019	**(1,918,400)**	**14,011**	**(25,143)**	**1,373**	**-**	**(762)**	**(1,928,921)**
Other comprehensive income and expenditure	197,640	7,683	-	-	-	-	**205,323**
Total comprehensive income and expenditure	**197,640**	**7,683**	**-**	**-**	**-**	**-**	**205,323**
Amortisation of intangible assets	-	-	(492)	-	-	-	**(492)**
Depreciation on property, plant and equipment	-	(805)	(5,424)	-	-	-	**(6,228)**
Revaluation losses on property, plant and equipment	-	(194)	708	-	-	-	**514**
Application of capital grants from unapplied account	-	-	638	-	-	-	**638**
Net gain or loss on the sale of non-current assets	-	-	(517)	-	-	-	**(517)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(71,562)	-	-	-	-	-	**(71,562)**
Movement on the Collection Fund Adjustment Account	-	-	-	(743)	-	-	**(743)**
Capital expenditure charged to the General Fund Balance	-	-	7,476	-	-	-	**7,476**
Statutory provision for the repayment of debt	-	-	3,230	-	-	-	**3,230**
Contribution to the Police Pension Fund	20,927	-	-	-	-	-	**20,927**
Movement on the Compensated Absences Account	-	-	-	-	-	(271)	**(271)**
Use of capital receipts to fund asset purchases	-	-	501	-	-	-	**501**
Adjustments between accounting basis and funding basis under regulations	**(50,635)**	**(999)**	**6,121**	**(743)**	**-**	**(271)**	**(46,527)**
Net increase / decrease before transfers to Earmarked Reserves	**147,005**	**6,684**	**6,121**	**(743)**	**-**	**(271)**	**158,795**
Balance at 31 March 2020	**(1,771,396)**	**20,695**	**(19,022)**	**630**	**-**	**(1,033)**	**(1,770,126)**

Year Ended 31 March 2019	Pension Reserves £000	Reval--uation Reserve £000	Capital Adj' Account Restated £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	**Total Unusable Reserves Restated £000**
Balance at 1 April 2018	**(1,730,534)**	**10,550**	**(23,602)**	**1,537**	**39**	**(750)**	**(1,742,760)**
Other comprehensive income and expenditure	(71,627)	4,036	-	-	-	-	**(67,591)**
Total comprehensive income and expenditure	**(71,627)**	**4,036**	**-**	**-**	**-**	**-**	**(67,591)**
Amortisation of intangible assets	-	-	(814)	-	-	-	**(814)**
Depreciation on property, plant and equipment	-	(576)	(5,401)	-	-	-	**(5,977)**
Revaluation losses on property, plant and equipment	-	-	(1,369)	-	-	-	**(1,369)**
Application of capital grants from unapplied account	-	-	751	-	-	-	**751**
Net gain or loss on the sale of non-current assets	-	-	(159)	-	-	-	**(159)**
Transfer from Financial Instruments Adjustment Account	-	-	-	-	(39)	-	**(39)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(141,381)	-	-	-	-	-	**(141,381)**
Movement on the Collection Fund Adjustment Account	-	-	-	(164)	-	-	**(164)**
Capital expenditure charged to the General Fund Balance	-	-	3,485	-	-	-	**3,485**
Statutory provision for the repayment of debt	-	-	1,892	-	-	-	**1,892**
Contribution to the Police Pension Fund	25,142	-	-	-	-	-	**25,142**
Movement on the Compensated Absences Account	-	-	-	-	-	(12)	**(12)**
Use of capital receipts to fund asset purchases	-	-	74	-	-	-	**74**
Adjustments between accounting basis and funding basis under regulations	**(116,239)**	**(576)**	**(1,541)**	**(164)**	**(39)**	**(12)**	**(118,570)**
Net increase / decrease before transfers to Earmarked Reserves	**(187,866)**	**3,460**	**(1,541)**	**(164)**	**(39)**	**(12)**	**(186,162)**
Balance at 31 March 2019	**(1,918,398)**	**14,009**	**(25,143)**	**1,375**	**-**	**(762)**	**(1,928,921)**

PCC:

Year Ended 31 March 2020	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2019	**(1,449)**	**14,011**	**(25,143)**	**1,373**	**-**	**(11,209)**
Other comprehensive income and expenditure	(9)	7,683	-	-	-	**7,674**
Total comprehensive income and expenditure	**(9)**	**7,683**	**-**	**-**	**-**	**7,674**
Amortisation of intangible assets	-	-	(492)	-	-	**(492)**
Depreciation on property, plant and equipment	-	(805)	(5,424)	-	-	**(6,228)**
Revaluation losses on property, plant and equipment	-	(194)	708	-	-	**514**
Application of capital grants from unapplied account	-	-	638	-	-	**638**
Net gain or loss on the sale of non-current assets	-	-	(517)	-	-	**(517)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(172)	-	-	-	-	**(172)**
Movement on the Collection Fund Adjustment Account	-	-	-	(743)	-	**(743)**
Capital expenditure charged to the General Fund Balance	-	-	7,476	-	-	**7,476**
Statutory provision for the repayment of debt	-	-	3,230	-	-	**3,230**
Use of capital receipts to fund asset purchases	-	-	501	-	-	**501**
Adjustments between accounting basis and funding basis under regulations	**(172)**	**(999)**	**6,121**	**(743)**	**-**	**4,206**
Net increase / decrease before transfers to Earmarked Reserves	**(181)**	**6,684**	**6,121**	**(743)**	**-**	**11,880**
Balance at 31 March 2020	**(1,633)**	**20,693**	**(19,022)**	**630**	**-**	**669**

Year Ended 31 March 2019	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2018	**(1,081)**	**10,551**	**(23,602)**	**1,537**	**39**	**(12,557)**
Other comprehensive income and expenditure	(226)	4,036	-	-	-	**3,810**
Total comprehensive income and expenditure	**(226)**	**4,036**	**-**	**-**	**-**	**3,810**
Amortisation of intangible assets	-	-	(814)	-	-	**(814)**
Depreciation on property, plant and equipment	-	(576)	(5,401)	-	-	**(5,977)**
Revaluation losses on property, plant and equipment	-	-	(1,369)	-	-	**(1,369)**
Application of capital grants from unapplied account	-	-	751	-	-	**751**
Net gain or loss on the sale of non-current assets	-	-	(159)	-	-	**(159)**
Transfer from Financial Instruments Adjustment Account	-	-	-	-	(39)	**(39)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(140)	-	-	-	-	**(140)**
Movement on the Collection Fund Adjustment Account	-	-	-	(164)	-	**(164)**
Capital expenditure charged to the General Fund Balance	-	-	3,485	-	-	**3,485**
Statutory provision for the repayment of debt	-	-	1,892	-	-	**1,892**
Use of capital receipts to fund asset purchases	-	-	74	-	-	**74**
Adjustments between accounting basis and funding basis under regulations	**(140)**	**(576)**	**(1,541)**	**(164)**	**(39)**	**(2,460)**
Net increase / decrease before transfers to Earmarked Reserves	**(366)**	**3,460**	**(1,541)**	**(164)**	**(39)**	**1,350**
Balance at 31 March 2019	**(1,449)**	**14,009**	**(25,143)**	**1,373**	**-**	**(11,209)**

29. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Current				Long Term				Total	
	Investments		Other assets		Investments		Other assets			
	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets										
Amortised cost	3,000	6,000	17,905	17,613	-	-	-	-	20,905	23,613
Total Financial Assets	**3,000**	**6,000**	**17,905**	**17,613**	**-**	**-**	**-**	**-**	**20,905**	**23,613**
Non financial assets	0	0	9,846	9,604	-	-	-	-	9,846	9,604
Total Assets	**3,000**	**6,000**	**27,751**	**27,217**	**-**	**-**	**-**	**-**	**30,751**	**33,217**

	Current				Long Term				Total	
	Borrowings		Other liabilities		Borrowings		Other liabilities			
	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities										
Amortised cost	287	490	10,724	9,399	23,742	23,917	1,771,397	1,918,401	1,806,150	1,952,208
Total Financial Liabilities	**287**	**490**	**10,724**	**9,399**	**23,742**	**23,917**	**1,771,397**	**1,918,401**	**1,806,150**	**1,952,208**
Non financial liabilities	-	-	10,620	9,816	-	-	56,603	59,116	67,223	68,931
Total Liabilities	**287**	**490**	**21,344**	**19,215**	**23,742**	**23,917**	**1,828,000**	**1,977,517**	**1,873,373**	**2,021,139**

The gains and losses recognised in the CIES are shown in the table below:

2018/19 Surplus or Deficit on the Provision of Services £000	2018/19 Other Comp. Income and Expenditure £000		2019/20 Surplus or Deficit on the Provision of Services £000	2019/20 Other Comp. Income and Expenditure £000
		Net (gains)/losses on:		
19	-	Financial assets measured at amortised cost	-	-
-	-	Financial liabilities measured at amortised cost	-	-
19	-	**Total net (gains)/losses**	-	-
		Interest revenue:		
(118)	-	Financial assets measured at amortised cost	(218)	-
(118)	**-**	**Total interest revenue**	**(218)**	**-**
6,473	**-**	**Interest expense**	**5,618**	**-**
		Fee Expense:		
4	-	Financial assets or financial liabilities that are not at fair value through profit or loss	-	-
4	**-**	**Total fee expense**	**-**	**-**

Reconciliation of Movements in Allowance for Expected Credit Loss

	Balance 1 April 2019 £000	Amounts written off in year £000
Financial Assets		
Fair Value through Profit or Loss at amortised cost measured as lifetime expected credit losses	-	(1)
Total	**-**	**(1)**

All financial liabilities and financial assets held by the PCC are classified as loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- For PWLB loans, the cash flows are discounted using the premature repayment rates applicable at the year-end equivalent loans
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values of financial instruments that differ from the carrying amount are summarised here:

	31 March 2020		31 March 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities				
PWLB loan	24,029	37,708	24,407	34,332
	24,029	**37,708**	**24,407**	**34,332**

The fair value of borrowings in 2019/20 is higher than the carrying amount because the rates payable for the PWLB loans are higher than the prevailing rate at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Fair Value Hierarchy for Financial Assets and Financial Liabilities that Are Not Measured at Fair Value

Other significant observable inputs (Level 2) £000 Restated	Total £000 Restated	Recurring fair value measurements using:	Other significant observable inputs (Level 2) £000	Total £000
	2018/19	**Year Ended 31 March**		**2019/20**
		Financial liabilities (held at amortised cost)		
34,332	34,332	PWLB loan	37,708	37,708
1,918,401	1,918,401	Long term creditors	1,771,397	1,771,397
60,295	60,295	PFI and finance lease liabilities	57,863	57,863
2,013,028	**2,013,028**	**Total**	**1,866,968**	**1,866,968**
		Financial assets (held at amortised cost)		
11,557	11,557	Cash and cash equivalents	10,900	10,900
6,000	6,000	Investments	3,000	3,000
6,056	6,056	Debtors	7,005	7,005
23,613	**23,613**	**Total**	**20,905**	**20,905**

The PCC's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the PCC
- Liquidity risk – the possibility that the PCC might not have funds available to meet its commitments to make payments
- Refinancing and Maturity risk – the possibility that the PCC might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the PCC as a result of changes in such measures as interest rates and stock market movements.

The PCC's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the PCC in the Annual Investment and Treasury Management Strategy[3]. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers. This risk is minimised through the Annual Investment and Treasury Management Strategy which requires that counterparties meet the minimum credit ratings from three major credit rating agencies. In 2019/20, the PCC has a policy not to lend any more than £10m to any individual financial institution, authority or banking group unless consent is given for a specific period of time and in exceptional circumstances. This policy is outlined on Page 41.

Recent experience has shown that it is rare for its investment counterparties to be unable to meet their commitments therefore, although a risk of non-recoverability applies to all of the PCC's deposits, there was no evidence at the 31 March 2020 that this was likely to crystallise.

Of the £1,888k outstanding from customers £688k was past its due date for payment at the year-end. The past due amount can be analysed by age as follows:

[3] Annual Investment and Treasury Management Strategy

	Amount past due 31.3.20 £000	Amount past due 31.3.19 £000
Less than three months	575	147
Three to six months	8	7
Six months to one year	79	1
More than one year	25	92
	688	**249**

Liquidity risk

The PCC has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the PCC has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB). As the PCC is required to provide a balanced budget which ensures sufficient monies are raised to cover annual expenditure, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The PCC has 22 loans with the PWLB, 20 are repayable on maturity, two are being repaid in half yearly instalments. The loans are due to mature between 2 and 40 years. All trade and other payables are due to be paid in less than one year.

Refinancing and Maturity risk

The PCC maintains its debt and investment portfolio in line with the Annual Investment and Treasury Management Strategy. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer-term risk to the PCC relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The PCC approved Annual Investment and Treasury Management Strategy addresses the main risks and the treasury management function addresses the operational risks within the approved parameters.

The PCC's financial assets held on the balance sheet all mature within one year.

Market risk – Interest risk

The PCC has no significant exposure to market risk from investments. Investments are normally by way of term deposits placed at a fixed rate for a fixed period, therefore there is a risk that the market rate can change, which would lead to an impact on the fair value of the investment. However, investments are mostly placed for periods not exceeding three months, therefore the exposure to market risk is regarded as negligible.

The PCC mitigates its exposure to market risk in regards to interest expense by fixing the interest rate payable for the duration of its loans. The risk is therefore shifted to the risk on the movement of fair value that would arise when prevailing rates differ from contract rate payable. However, borrowings are not carried at fair value, so nominal gains or losses on fixed rate borrowing do not impact on the CIES.

A 1% increase in interest rates would only have a material effect on the fair value of borrowings. It would reduce the value by £5,320k.

The PCC neither invests in equity shares nor in financial assets or liabilities denominated in foreign currencies and therefore has no exposure to price risk or exchange risk.

30. 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 12 November 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, subsequent Covid-19 legislation and pandemic containment action 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. The post balance sheet impact of the pandemic is recognised as an adjusting event, as the key events took place prior to 31 March 2020. However, at the time of publication, it is not possible to fully quantify the impact of the crisis; where possible, associated adjustments have been made to the draft Financial Statements first published at the end of May 2020, as the accounting impact has become clearer.

31. Capital Commitments

Significant commitments under capital contracts as at 31 March 2020 are analysed as follows:

2019 £000		2020 £000
636	Estates strategy	2,283
2,953	Tasers & other firearms	1,873
138	Vehicles	314
98	ICT replacements & equipment refresh	280
-	Windows 10	202
50	ESN ICCS upgrade	10
156	A149 Scheme	-
76	ANPR equipment	-
68	Athena	-
85	Digital Strategy (incl mobile data)	-
37	Other	58
4,296	**Total committed**	**5,021**

32. Going Concern

The concept of a going concern assumes that the functions of the PCC and the Constabulary will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which police forces operate. These provisions confirm that, as the Office of the Police and Crime Commissioner and the Constabulary cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

PCCs and Chief Constables carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a police force were in financial difficulty, the prospect is that alternative arrangements would be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a police force will continue to operate for the foreseeable future.

The current restrictions in place within the UK in response to Covid-19 have created issues for police forces in terms of policing the government lockdown policy in addition to continuing normal policing functions. An assessment of additional costs of policing arising from Covid-19 has been made in respect of the impact on 2020/21. The Home Office have now confirmed additional funding to be provided to cover medical grade PPE spending as well as for lost transactional income. In addition, the Constabulary has undertaken an in-year review of spending to eliminate the risk of overspending, and currently the forecast (at month 5) is that the Group will have a modest underspend (£0.549m) by the end of the financial year.

As a last resort, the PCC maintains a General Reserve of £4.475m, Budget Support Reserve of £1.310m and an Invest to Save Reserve of £2.125m that in extremis would be used to manage the financial risks of major incidents. However, at this point in time, the additional costs of Covid-19 incurred between March and September 2020 were less than 2% of these reserves, and as described spending is being controlled and no significant additional use of these reserves is expected (over and above the planned use within our current MTFP).

Although the local district councils are reviewing if potential deficits may arise on the Collection Fund for Council Tax, this did not affect the PCC's income in 2019/20 and is not expected to affect the PCC's income in 2020/21. Any deficit arising on the Collection Fund will be declared during 2020/21 and following recent guidance from MHCLG will be distributed over 3 years, 2021/22 to 2023/24.

It is recognised that there remains uncertainty over how long lockdown arrangements will remain in place, and therefore the total costs which will be incurred as a result. The strategy of government has recently moved to a three-tier model of restrictions, based on infection rates in different localities. However, we are confident that the impact can be managed in 2020/21 by the in-year review of spending, additional funding expected from the Home Office for PPE and therefore there will be minimal impact on any of the reserves outlined above, and the general reserve will not be impacted.

A high-level scenario planning exercise has been completed and compared against our current MTFP assumptions. The budget gap for 2021/22 ranges between best case (£1.3m) to worst case (£7.5m) given a range of assumptions on government funding, precept decisions, tax base growth and collection fund deficits. As already described an in-year review of spending is being undertaken to identify savings to mitigate against these risks. In addition, the guidelines to Heads of Department in regard of the new Strategic & Financial Planning process (using Outcome Based Budgeting principles) have taken into account the scenario plans. The constabulary has been rated as outstanding in terms of efficiency, and has a proven track record on delivering required savings in order to balance the budget.

Taking a worst-case funding scenario, and a worst-case assumption that no savings are identified (which will not happen), general fund balances including earmarked reserves at 31 March 2022 would reduce to approximately £7.7m. This still remains above our minimum level of general fund balance as set by the PCC CFO of £4.475m.

Taking into account the availability of useable reserves, the capacity to finance the current gap between external borrowing and the capital financing requirement and the ability to borrow on a short-term basis to prudently fund any temporary shortfall of cash; the PCC is able to demonstrate that he has sufficient liquid resources until 12 months from the date the audit report is signed to meet all liabilities as they fall due.

Therefore, following our review of the financial impact of Covid-19 on current and future finances, it has been concluded that there is no material uncertainty relating to going concern.

Police Pension Fund Accounting Statements

Fund Account

2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000
		Contributions receivable		
		Employer		
	11,638	Normal	17,764	
	271	Early retirements	399	
11,909				18,162
		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**		**(20,927)**
25,142		**Contribution from the Police General Fund**		**20,927**
1,585		**Additional funding payable by the local policing body**		**-**
-		**Net balance receivable for the year**		**-**

Net Assets and Liabilities

2018/19 £000		2019/20 £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

Capital expenditure
Expenditure on the acquisition of a non-current asset; or expenditure which adds to – rather than merely maintains – the value of an existing non-current asset.

Capital Receipt
Income derived from the sale or disposal of a non-current asset.

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).

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

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.

Impairment
A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

Intangible non-current assets
Intangible assets are non-financial non-current assets that do not have physical substance, but are identifiable and are controlled by the PCC through custody or legal rights.

Net book value
The amount at which non-current assets are included in the balance sheet, meaning their historical cost or current value less the cumulative amounts allowed for depreciation.

Net realisable value
The open-market value of the asset in its existing use (or open-market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-current assets
Tangible and intangible assets that yield benefits to the PCC and the services it provides for more than one year.

Outturn
The actual amount spent in the financial year.

Operational assets
Non-current assets held and occupied, used or consumed by the PCC in the direct delivery of services for which it has a statutory or discretionary responsibility.

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

PCC
References to PCC within these Financial Statements relate to the entity of the Police and Crime Commissioner for Norfolk unless otherwise stated.

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 affect 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.

Useful life
The period over which the PCC will derive benefits from the use of a non-current asset.

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.