AUDIT COMMITTEE

Monday 29th November 2021 at 14.00 hrs
Microsoft Teams

A G E N D A

Note for Members of the Public: Due to the exceptional circumstances this meeting is being held via Microsoft Teams, please contact the OPCCN (details below) prior to the meeting if you wish to submit questions to the Committee on any matter on the public part of the agenda.

Questions should be addressed to the Chair of the Audit Committee.

- The details of the Audit Committee and relevant papers are on the website.
- The deadline for submission of questions is five clear working days before the meeting in order that an appropriate answer to the question can be given.
- Questions should be submitted by email to: - opccn@norfolk.police.uk or written questions can be sent via post to the Office of the Police & Crime Commissioner. (address below).
- A list of questions will be drawn up in order of receipt and copies of all questions and statements will be circulated to all members of the Committee.
- Each member of the public asking a question must give his or her name and the town that they live within Norfolk. We will publish the question and response on our website but redact individuals' details.

Part 1 – Public Agenda

1.	Welcome and Apologies	
2.	Declarations of Personal and/or Prejudicial Interests	
3.	To approve the minutes of the meeting held on 19 October 2021	Page 04
4.	Review and update the Action Log	Page 09

5.	Final Accounts 2020/21 for approval including External Auditor's Audit Results Report- Reports from CFO and EY	Page 13
6.	Internal Audit 2021/22 Progress Report and Follow up Report- Report from Head of Internal Audit	Page 226
7.	Forward Work Plan – Report from CFO	Page 257

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Part 2 – Private Agenda

8. Fraud update – Report from CFO

9. Date of Next Meeting

   Tuesday 25th January 2022 at 10.00 hrs - Venue TBC

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Enquiries to:
OPCCN
Building 1, Jubilee House,
Falconers Chase, Wymondham, Norfolk, NR18 0WW
Direct Dial: 01953 424455 Email: opccn@norfolk.police.uk

如果您希望把这份资料翻译为国语，请致电 01953 424455 或发电子邮件至：opccn@norfolk.police.uk 联系诺福克警察和犯罪事务专员办公室。

Если вы хотите получить данный документ на русском языке, пожалуйста, обратитесь в Управление полиции и комиссии по рассмотрению правонарушений в графстве Норфолк по тел. 01953 424455 или по электронной почте: opccn@norfolk.police.uk

Se desejar obter uma cópia deste documento em português, por favor contacte o Gabinete do Comissário da Polícia e Crimes através do 01953 424455 ou pelo e-mail: opccn@norfolk.police.uk

Jei šio dokumento kopiją norėtumėte gauti lietuvių kalba, prašome susisiekti su Policijos ir nusikalstamumo komisarų tarnyba Norfolko grafystėje (Office of the Police and Crime Commissioner for Norfolk) telefonu 01953 424455 arba elektroninio pašto adresu opccn@norfolk.police.uk

Jeśli chcieliby Państwo otrzymać kopię niniejszego dokumentu w języku polskim, prosimy skontaktować się z władzami policji hrabstwa Norfolk (Office of the Police and Crime Commissioner for Norfolk) pod numerem 01953 424455 lub pisać na: opccn@norfolk.police.uk

Audit Committee Meeting

Tuesday 19 October 2021
14:00 hours
Via Microsoft Teams

MINUTES

Members in attendance:

Mr R Bennett (Chair)
Ms A Bennett
Mr A Matthews
Ms J Hills
Mr P Hargrave

Also, in attendance:

Mr S Megicks	Deputy Chief Constable (DCC), Norfolk Constabulary
Mr P Jasper	Assistant Chief Officer (ACO), Norfolk Constabulary
Ms J Penn	Chief Finance Officer, (PCC CFO), OPCC
Ms F Dodimead	Director of Audit, TIAA
Ms C Lavery	Audit Manager, TIAA
Mrs J Curson	Transcribing the minutes from the Teams Recording

Part 1 – Public Agenda

1.0 Welcome and Apologies

1.1 Apologies were received from Police and Crime Commissioner Giles Orpen-Smellie and OPCC Chief Executive Mark Stokes.

1.2 There were no questions received from the general public.

2.0 Declarations of Personal and/or Prejudicial Interest

2.1 None were recorded.

2.2 The Chair asked for all committee members to email the CFO direct if there are any changes from the last updated version.

3.0 Minutes of the last meeting

3.1 There were no issues with the accuracy of the minutes from the last meeting held on 27 July 2021.

3.2 The minutes of the last meeting were duly agreed by the Audit Committee members as an accurate account of meeting.

4.0 Action Log

4.1 The action log was reviewed in detail and the log will be updated to reflect the discussion.

5.0 Progress Report

5.1 F Dodimead confirmed that the quarter 1 work has now been completed. Work was paused due to the change in contract but work has now recommenced on the quarter 3 and quarter 4 work.

5.2 Six audits were completed in quarter 1, five of which are in final report and the last one for the Shared Service Transaction Centre is in draft form.

5.3 The audits for quarter 3 and 4 have now been assigned and work should be completed by year end, however, F Dodimead will inform the Committee nearer the time if some of the work may need to be completed into April 2022.

5.4 C Lavery will now be working on the follow up report and this will be presented at the next Audit Committee meeting in November.

5.5 F Dodimead advised the five reports were all issued in final stage with reasonable assurance and there were no key issues to report with these.

5.6 J Hills asked as there had been a gap in the audit contractors whether any audits have had to be dropped from the plan. TIAA have been in consultation with RSMUK and agreed what are the core audits to undertake and which ones would be good to undertake if time allows. F Dodimead advised that the plan presented today shows the audits planned for the rest of this financial year. And confirmed here would be enough coverage for Head of Internal audit opinion.

5.7 A Bennett raised a question on the Joint Justice Services report in relation to the witness action and the rear of MG11 not being transferred to Athena. However, there is no explanation in the report of how this is being addressed. F Dodimead advised that this would be clarified in the follow up report. The DCC advised that clearly this is important but special measures for victims would also be covered through the Victim Support services and confirmed that this is a point of focus for the Constabulary.

5.8 A Matthews asked about the number of overtime spreadsheets that are used and was concerned about security and who has access to these spreadsheets. C Lavery confirmed that these spreadsheets are on a shared drive that only the payroll team can access. Although spreadsheets are not ideal with the systems in place these are currently the only option and TIAA were satisfied that these were controlled and security was as high as possible in view of the systems being used. The ACO advised that currently a system called POCASO is used for officer overtime and this system operates within police regs so allows much more control on what officers can claim. The workflow system also allows for supervisor checking. So, from this system the data is downloaded to a spreadsheet which in turn is loaded to the ERP system. Staff forms still operate manually but currently the Constabulary is looking to automate this system in a similar manner to the police overtime. A Matthews asked if was possible for the data to be loaded direct to ERP from the POCASO system but the ACO advised that the cost of this was prohibitive and currently the system works very well. The ACO confirmed that the Constabulary is happy that the risks have been mitigated as much as possible. Ultimately, the plan is for the Duties Management System to automate the processing of overtime and there is an ongoing roadmap to improve DMS.

5.9 A Matthews asked about dog handling the implementation dates as the solution is listed for April 2023 and felt that this was very long way into the future. F Dodimead explained that the reason for this is that this work will require investment into Chronicle to implement the recommendations. The ACO also confirmed that there is a wider roadmap in relation to Chronicle in place and that the dog handling work is currently a lower priority. Higher priorities include skills, public order i.e. first aid, tasers and detective skills. C Lavery confirmed that this has been agreed on the follow up report to allow more time for the Chronicle work to be completed. The ACO advised that guidance has now been sent out from the Programme Management Office for risk/recommendation owners on how to deal with audit recommendations.

5.10 **Action 58**: A Matthews raised question around recording data issues within the Joint Justice Services and asked if this is being resolved as part of the Data Quality work currently being undertaken by the Constabulary. The ACO will check with the chair of the Data Quality group if this is being covered and report back at the next meeting.

5.11 The Chair asked TIAA to clarify that work on this plan will carry on until end of the financial year and then a new plan of work will be presented to the Committee.

5.12 **Action 59:** As the contract for TIAA runs until June 2022 F Dodimead asked the Committee if they would like the plan to be for the first quarter only for the whole of the year. F Dodimead to discuss this with the ACO and CFO outside of the meeting to agree what is required from TIAA and report back to the Committee at the next meeting.

5.13 **Action 60:** Following the data quality presentation at the members' briefing session yesterday, the Chair raised the point that it might be beneficial to have an independent review take place of the assessment against the process maturity matrix. The ACO to discuss this further with TIAA.

6.0 **Corporate Governance Framework**

6.1 The CFO reported that a Corporate Governance meeting had taken place this morning and the final structure was agreed at this meeting. The CFO also advised that the only items changed within the document are the structure charts which now reflect the current structures. Once this document has been agreed by the Committee it will be published on the website.

6.2 A Bennett raised a point that on page 43 of the report that it states that the PCC will raise a Police and Crime Plan for one year beyond his term of office and asked what the timing of this is. The CFO confirmed that the Police and Crime plan currently being worked from is for the previous PCC, Mr Lorne Green and this will end on the 31 March 2022. The new PCC's Police and Crime plan has now gone to public consultation and will go to the Police and Crime Panel meeting in November as a draft. Once this has been agreed it has to be in place by 31 March 2022.

6.3 A Bennett also raised issue that the Constabulary do not have a plan but the CFO advised that the Force Management Statement is currently an equivalent of this. However, the CFO also advised that once the new Chief Constable has been appointed then the Constabulary are also going to be asked to provide an operational delivery plan as well alongside the FMS.

6.4 **Decision:** The document was agreed by the Committee.

7.0 **Annual Governance Statement**

7.1 The latest version was presented to the Committee and the CFO advised that the changes to this document have been highlighted. The CFO confirmed that the Corporate Governance Group are happy that this document accurately reflects the year and the progression that has been made.

7.2 This document will remain open until the point that the accounts are signed off.

7.3 **Action 61:** A Matthews felt that the section about the internal audit is well written. However, felt that the wording was too passive on section 5.3 and the CFO will arrange for this to be amended.

8.0 **Audit Committee Effectiveness (Skills)**

8.1 The CFO advised that last year an audit of the Audit Committee's skills took place using the CIPFA model. The CFO asked the Committee if they would now like to undertake this work again or wait until next year. J Hills felt that as the members of the Committee have been stable for a while it might be best to wait. The CFO also advised that new guidelines from CIPFA are due out the first quarter of next year so it might be best to wait until these have been received.

Decision: It was agreed by the Committee to wait until next year for this to take place again.

9.0 Forward Work plan

9.1 The forward plan had been presented to the Committee. The CFO advised that there will not be a members' briefing session for the November meeting as this was an extra date added in to review the final accounts. The CFO also advised that if a venue can be found and everything can be secure then the meeting in November may take place face to face but confirmation of the arrangements will follow.

9.2 **Action 62:** The CFO advised that consideration now needs to be given to the members' briefing sessions as these are currently set on the plan only until the April 2022 meeting. The CFO will circulate to the Committee a list of topics that have previously been covered and asked the Committee to consider these and offer any suggestions to the CFO of what they would like included in the briefing sessions.

9.3 **Action 63:** F Dodimead advised that TIAA are arranging a webinar for both Norfolk and Suffolk Audit Committees with input from specialists. F Dodimead also asked the Committee to consider any subjects from the internal audit side that would be of interest for the briefing sessions.

9.4 The Chair asked that the private meeting with the internal and external auditors is included within the programme and this normally takes place after the final accounts have been dealt with. A discussion took place in relation to the appropriate time for this to take place, in view of the delays with the accounts and changes to the contract.

Decision: The Chair suggested that the private meeting could take place at the end of the meeting on 29 November assuming that the accounts are agreed. This was agreed by the Committee. The CFO to arrange for a separate Teams invitation to be sent.

Meeting closed at: 1500 hours

Audit Committee
Public – Part 1

Action Log

Action Number	Meeting Date	Actions and update	Owner	Status
New Actions: 21 May 2020				
027	21.05.20	**Reasonable Assurance Reports** There had been a number of questions raised by the Committee in relation to the reasonable assurance reports but due to time constraints these will be dealt with outside of the meeting via email. J Penn has a log of these and will ensure that they are forwarded to TIAA to be dealt with. **21.9.20** F Dodimead to circulate the list of questions and responses to the Audit Committee. **20.10.20** Responses have been prepared and C Lavery will circulate this document after the meeting. **19.1.21** C Lavery to discuss outside of the meeting with the CFO. **13.4.21** C Lavery has now passed these to the CFO who will circulate once they have been reviewed. **27.7.21** F Dodimead understood that C Lavery had sent a reply between meetings, but the CFO confirmed that she had not received a response. F Dodimead to follow up with C Lavery. **19.10.21** This item is still outstanding the CFO will liaise with C Lavery to resolve this action.	C Lavery / Jill Penn	Live
New Actions: 13 April 2021				
049	13.4.21	**Internal Auditors** **Action:** The Chair asked for TIAA to draw up a handover plan for the new auditors, RSM, for any outstanding recommendations to ensure a smooth transition. C	TIAA	Action closed 19.10.21

		Harris confirmed all outstanding recommendations and any other necessary documentation would be handed over to RSM and the ACO would also receive a copy of this. **27.7.21** TIAA in the process of handing over to RSMUK and update on progress at the next meeting. **19.10.21** This is action has been overtaken by events and TIAA will remain under contract. It was agreed by the Committee to close this action**.**		
050	13.4.21	**Action:** TIAA to ensure that the Audit report is updated so that the Committee can see what audits have been completed, as this information would also need to be included within the Annual Governance Statement and presented at the July meeting. **27.7.21** Once the last couple of audits are completed, an end of contract report will be produced by TIAA for this year, but core areas of governance, risk and key financials will not be included within TIAA's area of the plan to give RSM sufficient time and coverage for the rest of the year so that they can do core systems. Update at the next meeting. **19.10.21** This is action has been overtaken by events and TIAA will remain under contract. It was agreed by the Committee to close this action**.**	TIAA	Action closed 19.10.21
052	13.4.21	**Action:** The CFO to discuss with M Hodgson the timings for delivering the annual report to enable a date for the Audit Committee to be set at an appropriate time. Following this the CFO will discuss further with the Chair. **27.7.21** Discussion has taken place and the CFO confirmed that the morning and afternoon sessions on the 21 September have been cancelled. The confirmed dates for the rest of the year are Tuesday 19 October and meeting on the 29 November in the afternoon has been added to review the final accounts if they are available at this time. **19.10.21** The date of the meeting to review the accounts has now been changed to 29 November. The CFO informed the Committee that the external auditors are currently working on site and they have extended their deadline by one week. The CFO will keep the Committee informed of progress and any changes to arrangements but is hopeful that the 29 November date will be met by the auditors.	J Penn/R Bennett/M Hodgson	Live
New Actions: 27 July 2021				
054	27.7.21	**Action:** F Dodimead to check with C Lavery about the data quality report and if they haven't been followed up and completed by TIAA then these will be handed over to RSMUK **19.10.21** C Lavery suggested that TIAA provide a separate follow up report offline which is circulated to the Committee, but the Committee confirmed that they would be happy for the current timetable of reports. Action closed	~~F Dodimead~~ C Lavery	Action closed 19.10.21

055	27.7.21	**Action:** One other item to flag to the Committee is that when RSM met with the respective CFOs across Norfolk and Suffolk discussions took place in relation to the programme and the potential options for the annual opinion for this year. RSM will bring this back to the next Committee to confirm how this will take place. **19.10.21** Action closed	D Harris	Action closed 19.10.21
056	27.7.21	**Action:** The ACO to discuss the absence management and limited duties audit further with RSM to ensure that this item is covered. **19.10.21** P Jasper confirmed that this is on the plan for Q4. Action closed	P Jasper	Action closed 19.10.21
057	27.7.21	**Action:** A Bennett asked if the plan on data quality could be reviewed at the morning briefing session in January 2022. The CFO confirmed that she would arrange for the most appropriate member of staff to deliver this briefing. **19.10.21** Action closed	J Penn	Action closed 19.10.21
New actions: 19 October 2021				
058	19.10.21	**Action**: A Matthews raised question around recording data issues within the Joint Justice Services and asked if this is being resolved as part of the Data Quality work currently being undertaken by the Constabulary. The ACO to check with the chair of the Data Quality group if this is being covered and report back at the next meeting.	P Jasper	Live
059	19.10.21	**Action:** As the contract for TIAA runs until June 2022 F Dodimead asked the Committee if they would like the plan to be for the first quarter only for the whole of the year. F Dodimead to discuss this with the ACO and CFO outside of the meeting to agree what is required from TIAA and report back to the Committee at the next meeting.	F Dodimead/P Jasper/J Penn	Live
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061	19.10.21	**Action:** A Matthews felt that the section about the internal audit is well written. However, felt that the wording was too passive on section 5.3 and the CFO will arrange for this to be amended.	J Penn	Live
062	19.10.21	**Action:** The CFO advised that consideration now needs to be given to the members' briefing sessions as these are currently set on the plan only until the April 2022 meeting. The CFO will circulate to the Committee a list of topics that have previously	All	Live

		been covered and asked the Committee to consider these and offer any suggestions to the CFO of what they would like included in the morning briefing sessions.		
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POLICE & CRIME COMMISSIONER

NORFOLK

GROUP AND PCC
STATEMENT OF ACCOUNTS
31 March 2021

www.norfolk-pcc.gov.uk

Statement of Accounts
for the year ended 31 March 2021

Contents **Page**

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

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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:

Giles Orpen-Smellie

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 2021, 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, Giles Orpen-Smellie

The financial position for policing remains challenging. While the increased level of funding in the settlement for 2021/22 is welcome, there needs to be multi-year funding allocations with inflationary increases to enable long term planning. Demand pressures are continuing to increase and the impact of Covid-19 is still a factor at this time despite the take up of vaccinations; 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. There are plans for a multi-year settlement moving forward which would be welcomed for planning purposes. It should be noted that 86% of the gross budget is spent on people (police officers and police staff), and the opportunities for making budget savings that do not affect jobs are limited. Therefore whilst a review of the funding formula is welcome, overall funding needs to meet the demands for policing today and in the future or there will need to be a rationalisation of core activities to react to any reduction or flat cash settlement. The Chief Constable worked hard to deliver the strategic aims of the current Police and Crime Plan. These included 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 2021;
- 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 explains, on Page 10, how the financial 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.

Giles Orpen-Smellie

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 2021 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 2020/21 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Impact of Covid-19 pandemic and Exiting the EU
8. Funding Settlement 2021/22 and beyond

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 2020/21 were approved in February 2020.

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 in 2021 is 918,800 (source: Norfolk insight). 93% of Norfolk's land area is classed as rural and is reflected by the Police and Crime Plan priority to tackle crime within rural communities. Although such a large proportion of land is rural, 51% of the population lives in an urban area (mid-2019 estimates). The four main urban areas are Norwich, Great Yarmouth, King's Lynn and Thetford.

Norfolk has a much older age profile than England as a whole, with 25% of the population aged 65 and older compared with 18% in England (2019 estimate). Over the next twenty years there is a projected growth of 83,500 people in

Norfolk and the population is aging, with those aged over 65 making up 31% of the population [1].

Norfolk is a popular tourist destination, and in 2018 the county received 3.1m overnight visitors and 47.8m day trips were made. Norfolk's visitor economy in 2018 was calculated at £3.34bn, with the transient populations associated with tourism impacting on the policing of Norfolk to varying extents at different times of the year. The number of jobs in the county's tourism sector in 2018 was 67,000, accounting for 19% of all employment [2], whilst other significant employers in the Norfolk economy include the public sector, agriculture, retail and engineering. Norfolk Constabulary supports hundreds of events throughout the year, including Norwich City football matches, Norwich Pride, the Sundown music festival and numerous local carnivals and occasions. The outbreak of Covid-19 has seen a suspension of such events, however, many are planning to go ahead in the latter stages of 2021, creating a busy period that will be compounded by the predicted higher than usual influx of UK tourists.

There are areas of high flood risk within the county, namely Great Yarmouth, the Norfolk Broads, the outskirts of Norwich (River Yare) and the coastal areas of North Norfolk and King's Lynn. A further 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 and is again reflected as a priority focus (to improve road safety) of the Police and Crime Plan. Both factors pose challenges, again impacting on the policing of the county.

Change in demand caused by Covid-19

This financial year saw the impact of the coronavirus pandemic. This had a radical effect on demand for policing owing to changes in legislation and the impact of the changes to societal norms such as the periods of lockdown. On the one hand, through the lockdown periods certain crime types reduced, whilst on the other hand policing had to adapt to ensure that the communities were abiding by the short-term changes to legislation and to ensure that Norfolk as a tourism hotspot was not inappropriately being visited.

All of this radical change had to be managed alongside the fact that the organisation had to deal with the risk of the coronavirus to the officers and staff delivering the service.

Norfolk Constabulary is proud of how it maintained the trust and confidence in its communities through the pandemic, and maintained its service throughout.

At the point of writing, we are slowly emerging from the pandemic towards the end of the financial year. Sadly, it is clear that the trends of increases in high harm, high complexity crimes has not abated. In addition, it is hoped there will be a return to normality as we reach the summer, the busiest period of demand for policing. Summer planning has been significant this year to increase the preventative work as much as possible and provide visible reassurance as society returns to normal, and perhaps a greater influx than usual of visitors is expected.

The Norfolk 2020 programme has concluded successfully. A Norfolk Horizons programme has launched that will focus on how best to deliver policing with the changes to recruitment and training of the Police Educational Qualification Framework, and how to maximise the opportunity that the National Uplift Programme of officers provides. Norfolk is scheduled to have gained more than 200 additional officers by the end of the next financial year (2021/22). To date these have seen crucial additional numbers to counter the threat of county lines on our neighbourhoods as well as investments in detective roles and Operation Moonshot. .

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.

[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

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 the 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 was 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 31 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.

Norfolk Constabulary and Norfolk Fire and Rescue Service continue to strengthen their working relationship with individual governance at this time. The Fire Control Room moved in alongside the Police Control Room and initiatives have been undertaken to ensure closer collaboration. A number of other collaborative working arrangements, such as sharing of estate have or are being worked on.

A Home Office Review was announced to take the form of two phases. The results of phase one were announced before the election and a consultation on mandating fire governance by the PCC was among the plans to be progressed after the election.

Phase two will be progressed and reported once the PCC elections are complete.

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 2016-2021, 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 2020/21, the OPCCN had a total commissioning budget of £2.812m, comprising:

- OPCCN commissioning budget of £1.195m
- Ministry of Justice funding stream of £1.617m, 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 2020/21 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 liabilities of the Group (assets less liabilities) are matched by reserves, these include usable and unusable reserves. Usable reserves are 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). Unusable reserves include 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.

4. The 2020/21 Revenue and Capital Budget Process

A joint financial planning process took place between July 2019 and January 2020 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 for review and challenge. 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 2020/21 police budget which ran for 5 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 2020 and presented by the PCC to the Police and Crime Panel at its meeting on 4 February 2020.

These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2020/21 to 2024/25 and was signed off in February 2020.

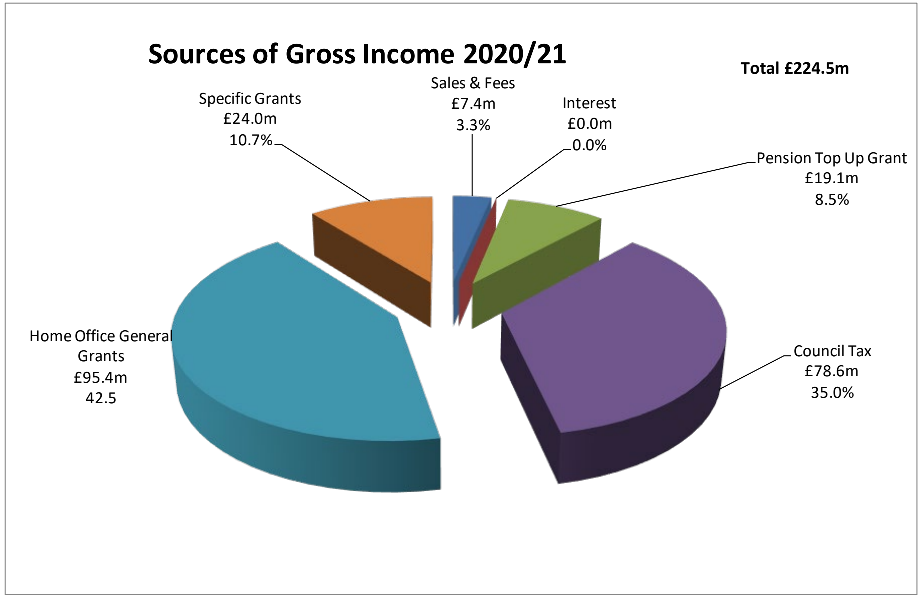
The Medium-Term Financial Plans for the PCC are available at www.norfolk-pcc.gov.uk

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 2020/21:



Revenue Budget

In February 2020, the PCC approved a net revenue budget for 2020/21 of £174.682m. The revenue budget was enhanced by the PCC's decision to increase the policing element of council tax for Band D property by £10. This stood at £263.07 for 2020/21 (£253.08 2019/20).

Savings Plans

The Chief Constable has run a well-established and effective change programme over recent years. The programme is required to deal with the impact of funding settlements, 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 2020/21, 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.

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 challenges 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

	Budget £000	Final outturn £000	Variance £000
Constabulary	190,034	185,499	4,535
Office of the PCC	1,089	944	145
PCC Commissioning	1,737	1,140	597
OPCC - Grants	(14,881)	(15,372)	491
Net total contributions to / (from) earmarked reserves	(3,297)	2,751	(6,048)
Total Net Expenditure	174,682	174,962	(280)
Grants income	94,780	95,034	(254)
Precept income (before collection fund balance adjustment)	79,902	79,928	(26)
Transfer from/(to) general reserves	**-**	**-**	**-**

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

2019/20 £000 Restated		2020/21 £000
164,782	**Total Net Expenditure per Outturn Report**	174,962
(7,476)	Revenue funding of capital	(5,994)
(3,230)	Minimum Revenue Provision (MRP)	(2,057)
6,207	Depreciation, amortisation and impairments	11,210
51,604	IAS 19 pension service costs (accounting basis)	53,199
(27,172)	Pension contributions (funding basis)	(29,263)
271	Movement on compensated absences accrual	559
(161)	Transfers from/(to) reserves	(2,643)
218	Interest received	25
(5,618)	Interest payable	(6,715)
179,424	**Net Cost of Police Services**	**193,282**

The Total Net Expenditure in the Revenue Budget table is different to the Net Cost of Services reported in the CIES (shown on page 19) 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.

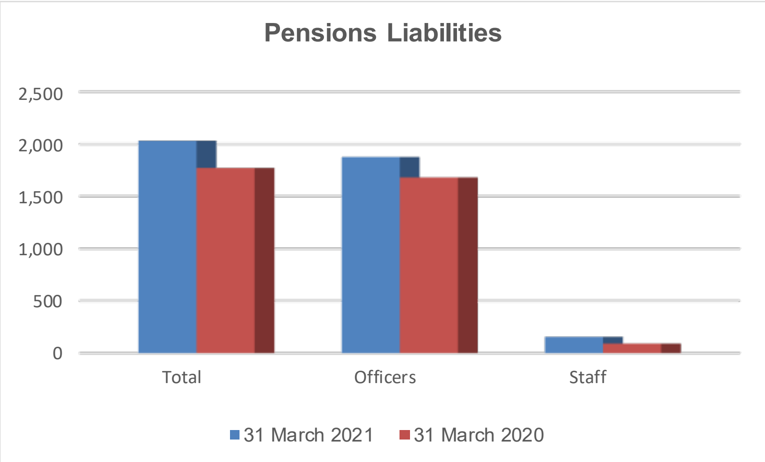
Capital Budget

The Capital Programme for 2020/21, including slippage from 2019/20 and in-year approvals, was £24.447m. Actual expenditure against this total was £11.928m. The under-spend of £12.518m was primarily due to re-profiling of major estates schemes. Actual expenditure includes an amount of £0.310m 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 (£0.242m), revenue contributions (£5.994m), internal borrowing (£4.959m) and capital receipts (£0.423m).

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 £2,008m at 31 March 2021, 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. Investment returns have been greater than expected, primarily as a bounce-back following the 2019/20 impact of the Covid-19 worldwide pandemic.

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 £24.0m.

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 £32.6m.

Reserves

As at 31 March 2021, the PCC has usable reserves of £21.452m which are available to support revenue and capital spending. These include a general reserve made up of earmarked balances of £16.612m (against which there are significant commitments), a general balance of £4.475m and unapplied capital grants of £0.364m. 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 2020/21, 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 2020/21 was £21.6m and the interest received against the budget of £0.150m was £0.027m. The overall return of 0.10% was 0.06% lower than the 3m LIBOR average of 0.16%.

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 been affected by the onset of Covid-19 and the resulting measures that were put in place across 2020 and 2021. In the 12 months to the end of March 2021 there were 62,434 recorded crimes, almost exactly the same as the long-term average (62,407). Whilst the overall crime level has stayed relatively stable, there have been some significant variances across different crime types. Rises in domestic abuse, hate crime and online crime reflect the impact that three national lockdowns have had on crime, as does the decrease in acquisitive crime. Considerable efforts have been 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. In addition, investments made by the Constabulary to ensure crime is recorded as accurately as possible continue to support our understanding of demand.

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 Horizons 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.

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	2019/20	2020/21
Domestic Abuse	*Number of crimes*	11,424	13,646
	Solved rate	12%	9%
Serious Sexual Offences	*Number of crimes*	2,350	2,040
	Solved rate	6%	8%
Child Sexual Abuse	*Number of crimes*	1,647	1,583
	Solved rate	7%	11%
Hate Crime	*Number of crimes*	1,105	1,349
	Solved rate	15%	12%
Online Crime	*Number of crimes*	1,555	2,911
	Solved rate	11%	9%
Call Handling	*% 999 calls answered in 10 seconds*	90%	91%
Emergency Response	*% of emergencies responded to in target time*	89%	90%
Road Safety	*Number of KSI collisions*	416	319

Demands on the Constabulary have changed in nature in recent years. Acquisitive crimes have reduced, while crimes such as domestic abuse and sexual offences have been rising. In 2020/21 however, the onset of the Covid-19 pandemic impacted the demand recorded in some vulnerability crime types. Whilst domestic abuse has continued to increase year on year, some sexual offences (particularly CSA and serious sexual offences) reduced in the number recorded. It is yet to become clear whether this reflects a true reduction in offences or whether the demand will be recorded as latent demand as we continue to ease out of social restrictions. Where rises in crime are accompanied by reductions in solved rates, this reflects the changing demand, and is 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 perceptions of safety within the county and the job that the Constabulary is doing are positive.

7. Impact of Covid-19 Pandemic and Exiting the EU

Clearly, 2020/21 has been an extraordinary year with Covid-19 having had a major impact on everyone's lives within the United Kingdom, as well as on every sector of the economy. In addition to that the UK has now exited the EU. During the year changes were made to the policing model in Norfolk in order that the policing response could meet the demand and requirements of policing through the pandemic, as well as meeting business as usual demand. Related issues where relevant 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 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) continued to maintain effective governance to fulfil the statutory role and support the wider sector through commissioning of services. The strategy confirmed 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 continue to be in regular contact either virtually or in person and the Chief Executive and senior team have a regular appointment with the PCC.

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. Activities have continued; however, 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 alongside ensuring new starters have been fully equipped to embrace agile working. 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 are now conducted in other ways, such as via phone or via Skype / Teams. 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. This approach from the MOJ is still happening early in 2021/22.

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 (April 2021), 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. A new model of agile working is being adopted by OPCCN as a result of the achievements of the office even when working flexibly during the pandemic. A Modern Workplace Programme has now been established by the Constabulary to look at a 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. The Modern Workplace approach is being adopted by the OPCCN and adapted to the corporation sole's requirements,

OPCCN sickness levels have been monitored, however, sickness has been at normal levels through the pandemic and at the time of writing the report. Clear guidance has been provided to staff at each stage of the pandemic and the plans as they have evolved.

Constabulary – Impact of Exiting the EU

Following the referendum that was held in June 2016, the UK voted to leave the European Union (EU). On 29 March 2017 the then Prime Minister Theresa May formally notified the European Union (EU) of the UK's intention to leave the EU via Article 50 of the EU Constitution. The UK left the EU on 31/01/2021 after this was ratified by the EU.

The Constabulary commenced planning in respect of the impact of leaving the EU after the initial vote to leave. The Constabulary had to plan for a number of eventualities given the uncertainty as to what the impact of exiting the EU would be. As the situation developed, the uncertainty of both the form of any agreement and the future relationship post exit with the EU meant that significant time and resources were invested into contingency planning a number of different scenarios. A Gold group was formed and regular meetings held and all departments engaged in the process. Issues considered included border disruption, food supply, public disorder, the impact to communities, changes in EU law enforcement tools and continuity of medical supply and products.

A back-record conversion process was carried out to ensure that individuals flagged on Europol systems continued to be flagged on Interpol systems for example. In addition, work was completed in conjunction with the Norfolk Resilience Forum so that all multi-agency partners were involved in the planning process throughout. The Norfolk Resilience Forum includes fellow emergency services such as the Fire Service, East of England Ambulance Service and Local Councils amongst others. Norfolk Constabulary were the nominated Gold for the Norfolk Resilience Forum.

As a result, there was little impact at the start of 2021 when the UK left the EU. Due to the pandemic, we are still monitoring any future implications. People movement is limited, one of the concerns was over Border controls and how these would work having left the EU.

Constabulary – Impact of Covid-19

As a result of the Covid-19 pandemic the Constabulary established a dedicated command model to focus on our response to the disease. This command structure was 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 structure operates a Gold-Silver-Bronze model with Gold Command operating across both forces, and a Silver Commander nominated in each force. A Strategic Gold plan has been written which is implemented by the Silvers at an operational, tactical level. Current work is underway to review the existing structure and reduce it to align with the reducing infection rate and a move to increased alignment with business as usual activity. The retention of the Gold and Silver commanders will ensure oversight of the local and national position and will ensure a mechanism to facilitate the dissemination of information across both organisations from Op Talla (the national policing response) and other Government departments.

Force sickness levels have been continually monitored on a regular 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 have been provided with 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 with the provision of mobile technology to support this approach.

Lateral flow testing has been introduced across the two organisations on a voluntary basis and the forces are now looking at options to also implement a workplace collect scheme for those engaged in specific roles / positions, for example some operational training, to facilitate home testing. 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. Since this time an effective internal test and trace process has been managed by Workplace Health, ensuring transmission risks are reduced as soon as a positive infection is reported.

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 permitted.

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 take place by officers and staff with both offenders and victims have been conducted in other ways, such as via phone, via Skype / Teams or from outside in the garden and alternative methods for securing evidence in statement form have been introduced. These changes have been reviewed and are being considered for future adoption into business as usual processes.

The impact of the restrictions initially resulted in a reduction in crimes being reported to the Constabulary. However, this demand has now returned to what would be described as pre-Covid levels. Concerns remain that a number of people, notably those suffering domestic and sexual abuse in the home, may have been less able to contact agencies to report concerns and that as a result, some hidden harm may remain unreported. This remains an area of focus for both the Constabularies and partners and the methods 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 continue.

In addition to 'normal' demand, the force have also had to balance increasing reports relating to Government regulations and legislation and to ensure internal processes are structured to ensure timely and proportionate responses to reported breaches. Such calls have resulted in increased demand within the Contact and Control Room as well as additional workload placed on local teams.

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 the provision of critical support. There was an initial change freeze imposed, with most projects put on hold however these have now been reinstated. Project work has been restarted with demand back to pre-Covid levels and the back office is responding well. For instance, the fleet is still being serviced and the estate maintained for everyday use whilst still adhering to Covid secure measures. Improvements have been made to enable 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 revised deadlines.

When the original lockdown was announced, arrangements were put in 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 ensure physical distancing for those that were required to remain on site. During the period of the various lockdowns additional laptops have been acquired to increase the number of people working from home. Those working from home have been given flexibility to work around their family priorities, including managing children at home due to school closures.

Supply chain impact from Covid-19 and Exiting the EU

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 (e.g. vehicles / ICT equipment) manufactured in the far east, which flow west.

Supply chains and lead times are generally re-established again but with countries responding to national Covid-19 surges the impact is still being monitored. Generally, there has been an increase in shipping costs in the last few months due to backlogs in UK ports and a shortage of containers in the correct place for movement of goods.

Suppliers continue to re-evaluate supply chains in order 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 although the impact of this has not yet been realised.

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.

Major estate developments have recommenced in accordance with national guidelines on safe working, but material lead in times have extended and increased financial assurance is sought from our main contractors.

Alongside many other organisations, the constabulary has increased the number of laptops within its asset base. There are potential risks regarding provision of core switches, firewalls, storage and servers during 2021/22 and this situation remains under review. An area of current concern relates to a shortage of chip sets which is impacting lead times for computers which ICT is managing with support of Procurement.

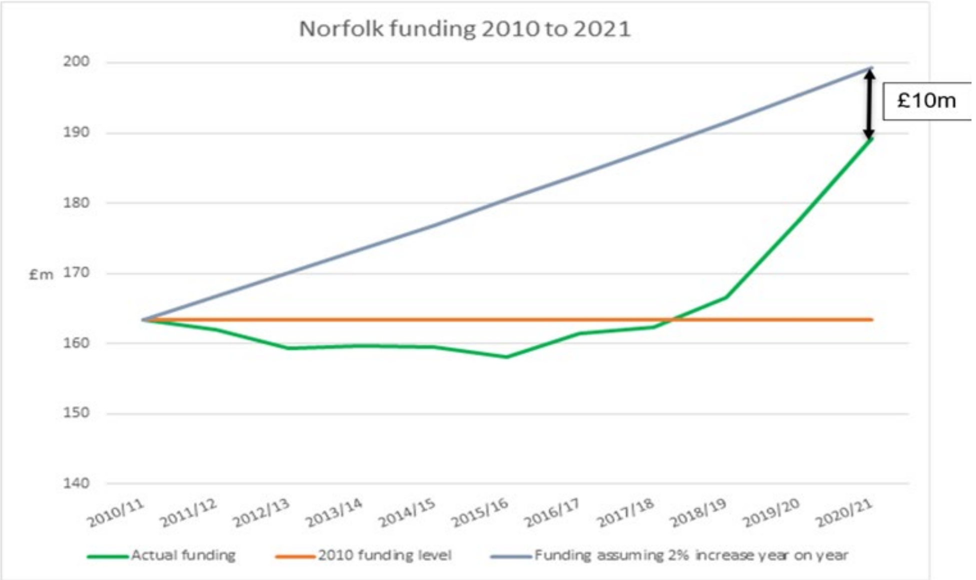
The global shortage of chip sets is also impacting vehicle production with some manufacturers currently slowing or temporarily ceasing production. The impact of this is being monitored as we await the award of the new national call off contracts for vehicles but as yet has not had an impact locally.

There has been some impact upon uniform supply both as a result of Covid-19 and the impact of direct imports from Europe. Some sources of uniform manufacture have been affected by recent increases in recruitment but alternative routes to market have been found to fill the gap. Ballistic protection body armour is imported direct from Germany and has thus been affected by import and delivery charges as a result of exiting the EU. Supplies have not been affected and Procurement is seeking ways to mitigate this issue.

8. Funding Settlement 2021/22 and beyond

The police service has already been through 10 years of austerity. The table 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 approximate inflation of 2% each year.

This shows that, despite recent increases in government funding and precept, the force has absorbed significant amounts of inflation over that time and still has c.£10m less than 2010 in real terms.



Other statutory and legislative changes have also increased costs to the organisation (e.g. increases to Pensions, National Insurance, and the reduction in the capital grant). As a result, the constabulary has had to absorb additional cost pressures of at least £9.5m per year on top of inflationary pressures.

In response to this, 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 2020/21 Norfolk Constabulary has saved £36m and in the new MTFP period 2021/25 savings of £4m have been identified. This brings total savings to £40m (annually recurring) over the last decade.

In addition, in recent years government has only issued one-year funding settlements for PCCs, and force-by-force provisional detailed grant announcements are normally made in December for funding commencing the following April. This creates a challenging planning environment, that this year has been made much more challenging due to the emergence of Covid-19 that plunged the UK economy into recession.

Despite the economic uncertainty, the Spending Review announcement on 25 November 2020 confirmed the continuation of funding for the recruitment of 20,000 additional officers for England and Wales (the Police Uplift Programme or PUP). Nationally, £415m of funding has been made available for 2021/22 to recruit another 6,000 officers (in addition to the first 6,000 officers recruited in 2020/21). The table below provides a comparison between the 2021/22 grant settlement and 2020/21 figures.

	2020/21	2021/22	Variance	
	£000	£000	£000	%
Police Core Grant	85,476	90,864	5,388	6.3%
Ringfenced Grant (Uplift)	1,879	1,119	(760)	-40.4%
Legacy Council Tax Grants	9,305	9,305	0	0%
Total all Grants	**96,660**	**101,288**	**4,628**	**4.8%**

The government funding for PUP for 2021/22 (approx. £4.6m as shown above) must be spent on the costs of recruiting officers, plus the additional costs that supports recruitment, training, uniform provision, vehicles and the other back office functions that makes the recruitment and retention of officers possible. Therefore, this does not then help fund the additional pressures outlined previously.

Central funding for PUP is for three years and officer numbers cannot be frozen or cut during this period as £1.1m of funding is linked to achieving the Uplift targets. Other government funding has generally been cash-flat in recent years (i.e. inflationary pressures have to be absorbed).

A 3-year CSR is expected. The economic situation as a result of the pandemic is known to be extremely challenging. Central borrowing is forecast to peak at £393.5bn, 19% of GDP. The government will face fiscal challenges and will have to consider the balance of needing to reduce funding government departments, including the Home Office, and / or the need to raise taxes. Therefore, government funding is not guaranteed to be stable over the medium-term.

As part of the settlement, PCCs were given the flexibility to increase the precept by up to £15 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 funding of £2.7m to help the Constabulary maintain current service levels against the rise in demand and complexity of crime.

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 8,000 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 0% precept limits, "cash flat" central grant funding and the loss of the Pension Grant as this is only confirmed for one more year.

Clearly, the country, along with the rest of the world, has been hit with the impact of the Covid-19 pandemic and is moving forward following exiting the EU. The UK is suffering the economic shock of the pandemic and various periods of 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 about to commence the process of the new round of strategic financial planning, and will consult with the PCC throughout this process, and will need 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 2021/22 to 2024/25 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 2021

Gross Expenditure 2019/20 £000	Income 2019/20 £000	Net Expenditure 2019/20 £000		Note	Gross Expenditure 2020/21 £000	Income 2020/21 £000	Net Expenditure 2020/21 £000
			Division of service:				
198,066	(19,331)	178,734	Constabulary		206,550	(19,472)	187,078
9,675	(10,186)	(511)	Office of the PCC		14,919	(9,890)	5,029
2,876	(1,675)	1,201	PCC commissioning		3,152	(1,977)	1,175
210,617	**(31,192)**	**179,424**	**Net cost of police services**		**224,621**	**(31,338)**	**193,282**
			Other Operating Expenditure:				
-	(20,927)	(20,927)	Home Office contribution to police pensions	**7**	-	(19,076)	(19,076)
15	-	15	Loss / (profit) on disposal of fixed assets		-	(98)	(98)
15	**(20,927)**	**(20,912)**			**-**	**(19,174)**	**(19,174)**
			Financing and investment income and expenditure:				
5,618	-	5,618	Interest payable and similar charges		6,715	-	6,715
47,130	-	47,130	Pensions interest cost	**16**	39,945	-	39,945
-	(218)	(218)	Interest and investment income		-	(25)	(25)
52,748	**(218)**	**52,530**			**46,660**	**(25)**	**46,635**
			Taxation and non-specific grant Income:				
-	(59,899)	(59,899)	General grants	**7**	-	(64,124)	(64,124)
-	(779)	(779)	Capital grants and contributions		-	(305)	(305)
-	(28,930)	(28,930)	Former MHCLG funding	**7**	-	(30,910)	(30,910)
-	(75,210)	(75,210)	Precepts	**11**	-	(78,602)	(78,602)
-	**(164,818)**	**(164,818)**			**-**	**(173,942)**	**(173,942)**
		46,225	**Deficit / (surplus) on the provision of services**				**46,802**
			Other comprehensive income and expenditure:				
		(7,683)	(Surplus) / deficit on the revaluation of assets	**13**			(6,334)
		(197,640)	Remeasurements of the net defined benefit liability	**16**			215,755
		(205,323)					**209,421**
		(159,097)	**Total comprehensive income and expenditure**				**256,223**

Comprehensive Income and Expenditure Statement for the PCC for the year ended 31 March 2021

Gross Expenditure 2019/20 £000	Income 2019/20 £000	Net Expenditure 2019/20 £000		Note	Gross Expenditure 2020/21 £000	Income 2020/21 £000	Net Expenditure 2020/21 £000
			Division of service:				
9,675	(10,186)	(511)	Office of the PCC		14,919	(9,890)	5,029
2,876	(1,675)	1,201	PCC commissioning		3,152	(1,977)	1,175
12,551	**(11,861)**	**690**	**Net cost of police services before group funding**		**18,071**	**(11,867)**	**6,204**
175,091	-	175,091	Intra-group funding	**5**	181,730	-	181,730
187,642	**(11,861)**	**175,781**	**Net cost of police services**		**199,800**	**(11,867)**	**187,934**
			Other operating expenditure:				
-	(20,927)	(20,927)	Home Office contribution to police pensions	**7**	-	(19,076)	(19,076)
15	-	15	Loss / (profit) on disposal of fixed assets		-	(98)	(98)
15	**(20,927)**	**(20,912)**			**-**	**(19,174)**	**(19,174)**
			Financing and investment income and expenditure:				
5,618	-	5,618	Interest payable and similar charges		6,715	-	6,715
38	-	38	Pensions interest cost	**16**	38	-	38
-	(218)	(218)	Interest and investment income		-	(25)	(25)
5,656	**(218)**	**5,438**			**6,753**	**(25)**	**6,728**
			Taxation and non-specific grant income:				
-	(59,899)	(59,899)	General grants	**7**	-	(64,124)	(64,124)
-	(779)	(779)	Capital grants and contributions		-	(305)	(305)
-	(28,930)	(28,930)	Former MHCLG funding	**7**	-	(30,910)	(30,910)
-	(75,210)	(75,210)	Precepts	**11**	-	(78,602)	(78,602)
-	**(164,818)**	**(164,818)**			**-**	**(173,942)**	**(173,942)**
		(4,510)	**Deficit / (surplus) on the provision of services**				**1,546**
			Other comprehensive income and expenditure:				
		(7,683)	(Surplus) / deficit on the revaluation of assets	**13**			(6,334)
		9	Remeasurements of the net defined benefit liability	**16**			1,145
		(7,674)					**(5,189)**
		(12,184)	**Total comprehensive income and expenditure**				**(3,643)**

Balance Sheet for the PCC for Norfolk Group and the PCC of Norfolk as at 31 March 2021

Group 31 March 2020 £000	PCC 31 March 2020 £000		Notes	Group 31 March 2021 £000	PCC 31 March 2021 £000
88,307	88,307	Property, plant and equipment	**13**	95,314	95,314
2,935	2,935	Intangible assets	**13**	2,441	2,441
91,242	91,242	**Total long term assets**		97,755	97,755
570	570	Inventories		584	584
15,864	15,864	Short term debtors, prepayments & deferred costs	**18**	14,173	14,173
10,900	10,900	Cash and cash equivalents	**19**	12,756	12,756
3,000	3,000	Short term investments	**17**	-	-
417	417	Assets held for sale	**20**	321	321
30,751	30,751	**Current assets**		27,834	27,834
121,993	**121,993**	**TOTAL ASSETS**		**125,589**	**125,589**
18,933	17,900	Short-term creditors and accruals	**21**	19,463	17,871
287	287	Short term borrowing	**23**	290	290
1,099	1,099	Provisions	**25**	1,263	1,263
53	53	Short term grants receipts in advance		53	53
1,260	1,260	PFI liabilities	**15**	1,383	1,383
21,631	20,598	**Current liabilities**		22,452	20,861
1,771,395	1,630	Other long term liabilities	**16**	2,031,956	2,886
23,742	23,742	Long term borrowing	**23**	23,563	23,563
56,603	56,603	PFI liabilities	**15**	55,220	55,220
2	2	Grants receipts in advance		2	2
1,851,742	81,977	**Long term liabilities**		2,110,741	81,671
1,873,373	**102,575**	**TOTAL LIABILITIES**		**2,133,194**	**102,532**
(1,751,380)	**19,417**	**NET ASSETS / (LIABILITIES)**		**(2,007,604)**	**23,058**
18,745	18,745	Usable reserves	**Page 22/24**	21,451	21,452
(1,770,125)	673	Unusable reserves	**28**	(2,029,056)	1,605
(1,751,380)	**19,417**	**TOTAL RESERVES**		**(2,007,604)**	**23,058**

The financial statements replace the unaudited financial statements certified by Jill Penn on 13 June 2021.

Jill Penn CPFA, ACMA, MSc
Chief Finance Officer
2021

Movement in Reserves Statement for the PCC for Norfolk Group

Year Ended 31 March 2021	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 2020		**18,445**	**-**	**301**	**18,746**	**(1,770,126)**	**(1,751,381)**
Movement in reserves during 2020/21							
Surplus or (deficit) on provision of services (accounting basis)	**Page 19**	(46,802)	-	-	**(46,802)**	**-**	**(46,802)**
Other comprehensive income and expenditure	**Page 19**	-	-	-	**-**	**(209,421)**	**(209,421)**
Total comprehensive income and expenditure		**(46,802)**	**-**	**-**	**(46,802)**	**(209,421)**	**(256,223)**
Amortisation of intangible assets	**13**	830	-	-	**830**	**(830)**	**-**
Depreciation on property, plant and equipment	**13**	6,455	-	-	**6,455**	**(6,455)**	**-**
Revaluation losses on property, plant and equipment	**13**	3,925	-	-	**3,925**	**(3,925)**	**-**
Capital grants and contributions credited to the CIES	**Page 19**	(305)	-	305	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(242)	**(242)**	**242**	**-**
Net gain or loss on the sale of non-current assets	**Page 19**	(98)	423	-	**326**	**(326)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		63,881	-	-	**63,881**	**(63,881)**	**-**
Movement on the Collection Fund Adjustment Account		1,326	-	-	**1,326**	**(1,326)**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(5,994)	-	-	**(5,994)**	**5,994**	**-**
Statutory provision for the repayment of debt	**14**	(2,057)	-	-	**(2,057)**	**2,057**	**-**
Contribution to the Police Pension Fund	**Page 19**	(19,076)	-	-	**(19,076)**	**19,076**	**-**
Movement on the Compensated Absences Account		559	-	-	**559**	**(559)**	**-**
Use of capital receipts to fund asset purchases		-	(423)	-	**(423)**	**423**	**-**
Adjustments between accounting basis and funding basis under regulations		**49,445**	**-**	**63**	**49,508**	**(49,508)**	**-**
Increase / (decrease) in year		**2,643**	**-**	**63**	**2,706**	**(258,929)**	**(256,223)**
Balance at 31 March 2021		**21,088**	**-**	**364**	**21,452**	**(2,029,055)**	**(2,007,604)**

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 19**	(46,225)	-	-	**(46,225)**	**-**	**(46,225)**
Other comprehensive income and expenditure	**Page 19**	-	-	-	**-**	**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 19**	(779)	-	779	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(638)	**(638)**	**638**	**-**
Net gain or loss on the sale of non-current assets	**Page 19**	15	501		**517**	**(517)**	**-**
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 19**	(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)**	**-**
Increase / (decrease) in year		**161**	**-**	**142**	**302**	**158,795**	**159,096**
Balance at 31 March 2020		**18,445**	**-**	**301**	**18,745**	**(1,770,126)**	**(1,751,381)**

Movement in Reserves Statement for the PCC for Norfolk

Year Ended 31 March 2021	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 2020		**18,446**	**-**	**301**	**18,747**	**669**	**19,416**
Movement in reserves during 2020/21							
Surplus or (deficit) on provision of services (accounting basis)	**Page 20**	(1,546)	-	-	**(1,546)**	**-**	**(1,546)**
Other comprehensive income and expenditure	**Page 20**	-	-	-	**-**	**5,189**	**5,189**
Total comprehensive income and expenditure		**(1,546)**	**-**	**-**	**(1,546)**	**5,189**	**3,644**
Amortisation of intangible assets	**13**	830	-	-	**830**	**(830)**	**-**
Depreciation on property, plant and equipment	**13**	6,455	-	-	**6,455**	**(6,455)**	**-**
Revaluation losses on property, plant and equipment	**13**	3,925	-	-	**3,925**	**(3,925)**	**-**
Capital grants and contributions credited to the CIES	**Page 20**	(305)	-	305	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(242)	**(242)**	**242**	**-**
Net gain or loss on the sale of non-current assets	**Page 20**	(98)	423	-	**326**	**(326)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		110	-	-	**110**	**(110)**	**-**
Movement on the Collection Fund Adjustment Account		1,326	-	-	**1,326**	**(1,326)**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(5,994)	-	-	**(5,994)**	**5,994**	**-**
Statutory provision for the repayment of debt	**14**	(2,057)	-	-	**(2,057)**	**2,057**	**-**
Use of capital receipts to fund asset purchases		-	(423)	-	**(423)**	**423**	**-**
Adjustments between accounting basis and funding basis under regulations		**4,191**	**-**	**63**	**4,254**	**(4,254)**	**-**
Increase / (decrease) in year		**2,645**	**-**	**63**	**2,708**	**935**	**3,644**
Balance at 31 March 2021		**21,087**	**-**	**364**	**21,452**	**1,605**	**23,058**

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 20**	4,510	-	-	**4,510**	**-**	**4,510**
Other comprehensive income and expenditure	**Page 20**	-	-	-	**-**	**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 20**	(779)	-	779	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(638)	**(638)**	**638**	**-**
Net gain or loss on the sale of non-current assets	**Page 20**	15	501	-	**517**	**(517)**	**-**
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**	**-**
Increase / (decrease) in year		**162**	**-**	**142**	**303**	**11,880**	**12,185**
Balance at 31 March 2020		**18,446**	**-**	**301**	**18,747**	**669**	**19,416**

Cash flow Statement for the PCC for Norfolk Group and PCC for Norfolk
For the year ended 31 March 2021

Group 2019/20 £000	PCC 2019/20 £000		Note	Group 2020/21 £000	PCC 2020/21 £000
(46,225)	**4,510**	**Net Surplus/(deficit) on the provision of services**	**Page 19**	**(46,802)**	**(1,546)**
57,536	6,801	Adjustment for non cash or cash equivalent movements	**22**	58,444	13,189
(779)	(779)	Capital grants and contributions	**Page 19**	(305)	(305)
10,531	**10,531**	**Net cash flows from operating activities**		**11,336**	**11,336**
		Investing activities			
(12,866)	(12,866)	Purchase of non current assets		(11,774)	(11,774)
(31,500)	(31,500)	Purchase of short-term or long term investments		(26,000)	(26,000)
501	501	Proceeds from the sale of non currents assets		423	423
34,500	34,500	Proceeds from short-term or long-term investments		29,000	29,000
(9,365)	**(9,365)**	**Net cash flows from investing activities**		**(8,351)**	**(8,351)**
		Financing activities			
779	779	Other receipts from financing activities		305	305
(2,432)	(2,432)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts		(1,260)	(1,260)
(171)	(171)	Repayments of short and long-term borrowing		(175)	(175)
(1,823)	**(1,823)**	**Net cash flows from financing activities**		**(1,129)**	**(1,129)**
(657)	**(657)**	**Net increase or (decrease) in cash and cash equivalents**		**1,856**	**1,856**
11,557	11,557	Cash and cash equivalents at the beginning of the reporting period	19	10,900	10,900
10,900	**10,900**	**Cash and cash equivalents at the end of the reporting period**	**19**	**12,756**	**12,756**

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 2019/20 £000	Group Position	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2020/21 £000
			Year Ended 31 March			
154,165	24,569	178,734	Constabulary	162,655	24,423	187,078
(6,852)	6,341	(511)	Office of the PCC	(6,253)	11,282	5,029
1,201	-	1,201	PCC commissioning	1,175	-	1,175
148,514	**30,911**	**179,424**	**Net cost of police services**	**157,578**	**35,705**	**193,282**
(148,675)	15,476	(133,199)	Other income and expenditure	(160,221)	13,741	(146,480)
(161)	**46,386**	**46,225**	**Deficit/(surplus) on the provision of services**	**(2,644)**	**49,446**	**46,802**
18,285			Opening general fund balance at 1 April	18,446		
18,446			**Closing general fund balance at 31 March**	**21,089**		

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 2019/20 £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 2020/21 £000
			Year Ended 31 March			
(6,852)	6,341	(511)	Office of the PCC	(6,253)	11,282	5,029
1,201	-	1,201	PCC commissioning	1,175	-	1,175
175,091	-	175,091	Intra-group funding	181,730	-	181,730
169,440	**6,341**	**175,781**	**Net cost of police services**	**176,652**	**11,282**	**187,934**
(169,602)	(10,689)	(180,291)	Other income and expenditure	(179,297)	(7,090)	(186,387)
(161)	**(4,348)**	**(4,510)**	**Deficit/(surplus) on the provision of services**	**(2,644)**	**4,191**	**1,546**
18,285			Opening general fund balance at 1 April	18,446		
18,446			**Closing general fund balance at 31 March**	**21,090**		

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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 policing 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
- Widespread replacement of communication devices including radios
- Servers
- Software licences
- Radios
- 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 non-current 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 policing 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.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, 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 non-current 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 policing 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 policing 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 partially topped up by a grant from the Home Office.

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the 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.

Discretionary Benefits

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 Treasury 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, PCCs etc.

All cash invested by the PCC in 2020/21 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.

<u>The PCC as Lessee</u>

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.

<u>The PCC as Lessor</u>

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 policing 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 policing 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:

Revaluation Reserve

This reserve records the accumulated gains on non-current 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 non-current assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historic cost.

Capital Adjustment Account

This account accumulates (on the debit side) the write-down of the historical costs of non-current 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 non-current assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with the statutory provisions. The 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 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2021, and these IFRSs will be initially adopted as at 1 April 2021. 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 2021/22 financial statements.

Implementation of the new leasing standard, IFRS 16 Leases, had previously been deferred from 2020/21 for one year due to the impact of the Covid-19 global pandemic. However, due to the continued widespread impact of the pandemic, and resulting pressures on council finance teams, the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of this standard for a further year. This will mean the effective date for implementation is now 1 April 2022.

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 2021/22 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 2020/21 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 £234.4m.

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 2020 to 31 March 2021.

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 £14.2m

Property £63.7m

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of the Covid-19 pandemic on markets might cause a valuer to conclude that there is a material uncertainty, which the valuer would then declare in their report. The valuers have concluded that although the pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally, 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, properties valued were not 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	(778)	(7,784)	(15,567)
Change in the revaluation reserve	(672)	(6,659)	(12,846)
Additional charge to Other Comprehensive Income and Expenditure in the CIES	107	1,124	2,721

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 hands 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 2019/20 £000	Group Position	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2020/21 £000
-	24,298	271	24,569	Constabulary	-	23,864	559	24,423
6,207	134	-	6,341	Office of the PCC	11,210	72	-	11,282
-	-	-	-	PCC commissioning	-	-	-	-
6,207	**24,432**	**271**	**30,910**	**Net Cost of Police Services**	**11,210**	**23,936**	**559**	**35,704**
(11,470)	26,203	743	15,476	Other income and expenditure	(8,454)	20,869	1,326	13,741
(5,263)	**50,635**	**1,014**	**46,386**	**Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)**	**2,756**	**44,805**	**1,884**	**49,445**

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 2019/20 £000	Office of the PCC	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2020/21 £000
6,207	134	-	6,341	Office of the PCC	11,210	72	-	11,282
-	-	-	-	PCC commissioning	-	-	-	-
6,207	**134**	**-**	**6,341**	**Net Cost of Police Services**	**11,210**	**72**	**-**	**11,282**
(11,470)	38	743	(10,689)	Other income and expenditure	(8,454)	38	1,326	(7,090)
(5,263)	**172**	**743**	**(4,348)**	**Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)**	**2,756**	**110**	**1,326**	**4,191**

Expenditure and Income Analysed by Nature

Total Constab' £000	Total Office of the PCC £000	Total PCC's Comm' £000	Total Group 2019/20 £000	Total PCC 2019/20 £000		Total Constab' £000	Total Office of the PCC £000	Total PCC's Comm' £000	Total Group 2020/21 £000	Total PCC 2020/21 £000
					Expenditure					
168,833	426	715	**169,973**	**1,141**	Employee benefits expenses	177,454	771	425	**178,650**	**1,196**
29,233	2,512	2,692	**34,437**	**5,204**	Other service expenditure	29,096	2,937	2,727	**34,761**	**5,665**
-	6,207	-	**6,207**	**6,207**	Depreciation, amortisation & impairment	-	11,210	-	**11,210**	**11,210**
47,092	38	-	**47,130**	**38**	Net pensions interest cost	39,907	38	-	**39,945**	**38**
-	5,618	-	**5,618**	**5,618**	Interest payments	-	6,715	-	**6,715**	**6,715**
-	15	-	**15**	**15**	Loss on the disposal of assets	-	-	-	**-**	**-**
245,158	**14,817**	**3,406**	**263,380**	**18,223**	**Total Expenditure**	**246,457**	**21,671**	**3,152**	**271,281**	**24,824**
					Income					
(7,848)	(3,095)	(220)	**(11,163)**	**(3,315)**	Fees, charges and other service income	(6,974)	(277)	(126)	**(7,377)**	**(404)**
-	(218)	-	**(218)**	**(218)**	Interest and investment income	-	(25)	-	**(25)**	**(25)**
-	(75,210)	-	**(75,210)**	**(75,210)**	Income from council tax	-	(78,602)	-	**(78,602)**	**(78,602)**
(11,483)	(117,625)	(1,455)	**(130,564)**	**(119,081)**	Government grants and contributions	(12,498)	(124,028)	(1,851)	**(138,377)**	**(125,878)**
-	-	-	**-**	**-**	Gain on the disposal of assets	-	(98)	-	**(98)**	**(98)**
(19,331)	**(196,149)**	**(1,675)**	**(217,155)**	**(197,824)**	**Total Income**	**(19,472)**	**(203,030)**	**(1,977)**	**(224,479)**	**(205,007)**
225,826	**(181,332)**	**1,731**	**46,225**	**(179,601)**	**Deficit/(Surplus) on the Provision of Services**	**226,985**	**(181,358)**	**1,175**	**46,802**	**(180,183)**
	175,091			**175,091**	Intra Group Funding		**181,730**			**181,730**
	(6,241)	**1,731**		**(4,510)**	**Deficit/(Surplus) on the Provision of Services after Intra Group Funding (Total PCC Only)**		**371**	**1,175**		**1,546**

7. Government Grants

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

	Group		PCC	
	Amount Receivable for 20/21 £000	Amount Receivable for 19/20 £000	Amount Receivable for 20/21 £000	Amount Receivable for 19/20 £000
Credited to Taxation and Non Specific Grant Income				
General police grant	54,566	50,594	54,566	50,594
Council tax support grant	7,877	7,877	7,877	7,877
Council tax freeze grant	1,428	1,428	1,428	1,428
Council tax compensation grant	254	-	254	-
Capital grants and contributions	224	766	224	766
Former MHCLG funding	30,910	28,930	30,910	28,930
Precepts	78,602	75,210	78,602	75,210
	173,860	**164,804**	**173,860**	**164,804**
Credited to Other Operating Expenditure				
Home Office contribution to police pensions	19,076	20,927	19,076	20,927
	19,076	**20,927**	**19,076**	**20,927**
Credited to Services				
Police incentivisation	224	248	-	-
PFI grants (OCC and PICs)	6,758	6,758	6,758	6,758
Specific grant for police pensions	1,565	1,565	-	-
Vulnerability Coordination Centre	736	449	-	-
Other specific grants	14,678	11,009	4,705	1,787
	23,961	**20,029**	**11,463**	**8,547**

Other specific grants credited to services for the Group include £2.7m Operation Hydrant, a Specific Home Office Grant of £4.2m, £1m of various Covid related grants, £1.9m Operation Uplift and a £1.5m 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 2020/21 were as follows:

Group 2020/21	Group 2019/20	Remuneration	OPCC 2020/21	OPCC 2019/20
11	6	£50,000 - £54,999	1	-
11	15	£55,000 - £59,999	1	1
6	3	£60,000 - £64,999	-	1
4	7	£65,000 - £69,999	-	-
6	4	£70,000 - £74,999	2	1
2	2	£75,000 - £79,999	-	-
2	2	£80,000 - £84,999	-	-
4	4	£85,000 - £89,999	-	-
1	2	£90,000 - £94,999	-	-
2	-	£95,000 - £99,999	-	-
-	1	£100,000 - £104,999	-	1
1	2	£105,000 - £109,999	1	-
2	-	£110,000 - £114,999	-	-
-	2	£120,000 - £124,999	-	-
1	-	£125,000 - £129,999	-	-
1		£130,000 - £135,999	-	-
1	-	£135,000 - £139,999	-	-
-	1	£170,000 - £174,999	-	-
1	-	£180,000 - £184,499	-	-

"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."

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
2020/21				
Position held				
Chief Constable - Simon Bailey	175	-	7	182
Deputy Chief Constable	138	39	-	177
Assistant Chief Constable	123	37	8	168
Temporary Deputy Chief Constable (to 31.08.20)				
Assistant Chief Constable (from 01.05.20)	130	35	-	165
Temporary Assistant Chief Constable (to 30.04.20)				
Temporary Assistant Chief Constable	106	28	-	134
Assistant Chief Officer	112	18	-	130
Police and Crime Commissioner	71	13	-	84
Chief Executive (PCC)	111	20	-	131
CFO (PCC) - 0.6 FTE	48	9	-	57
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)				
Temporary Deputy Chief Constable (from 24.03.20)	120	36	6	162
Acting 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

During 2020/21, a chief officer from Norfolk Constabulary acted as a Deputy Chief Constable (DCC) until 31.08.20 and an Assistant Chief Constable (ACC) from 01.09.20 in a joint capacity, Suffolk Constabulary contributed 43.2% towards the costs of these posts.

From 01.09.20 a Norfolk Constabulary officer acted as a Temporary ACC in a joint capacity, Suffolk Constabulary contributed 21.6% towards the cost of this post.

Until 25.09.20 a Suffolk Constabulary officer acted as a Temporary ACC in a joint capacity, Norfolk Constabulary contributed 56.8% 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.

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**	
	2020/21	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
£000							**£000**	**£000**
Group								
0-20	-	1	2	-	2	1	16	3
20-40	-	-	-	1	-	1	-	30
40-60	-	1	-	-	-	1	-	41
80-100	1	-	-	-	1	-	82	-
	1	2	2	1	3	3	97	74

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 2020/21 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 PCCs consider issues of mutual interest and discharge their governance responsibilities in line with the Scheme of Governance and Consent. 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
2020/21					
Suffolk PCC	17,415	12,025	15,586	1,660	46,686
Norfolk PCC	22,897	15,810	20,493	2,182	61,383
Total shared running costs	**40,312**	**27,835**	**36,079**	**3,842**	**108,069**
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**

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. The agreement has been regularly extended and the current extension runs until 31 March 2023.

The net expenditure incurred by each force is as follows:

	Total 2020/21 £000	Total 2019/20 £000
Operating costs	20,231	21,834
Specific Home Office grant	(4,796)	(4,336)
Other income		-
Total deficit/ (surplus) for the year	**15,435**	**17,498**
Contributions from forces:		
Bedfordshire	(1,746)	(1,997)
Cambridgeshire	(2,224)	(2,567)
Essex	(1,735)	(1,953)
Hertfordshire	(3,159)	(3,607)
Kent	(2,095)	(2,249)
Norfolk	(2,542)	(2,918)
Suffolk	(1,934)	(2,207)
Deficit/ (surplus) for the year	**-**	**-**
Norfolk underspend held in Balance Sheet	**-**	**-**

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 were 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 created 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 2020/21 £000	**Total 2019/20 £000**
Operating costs	2,469	1,033
Contributions from forces:		
Bedfordshire	205	85
Cambridgeshire	260	110
Hertfordshire	371	154
Essex	537	226
Kent	571	238
Norfolk	298	125
Suffolk	227	94
	2,469	**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 £50k 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 2020/21 the precept, including the estimated 2019/20 collection fund surplus/(deficit), was paid to the PCC during the year and amounted to £79.9m 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:

2019/20 £000		Received from Billing Authority £000	Outturn surplus/(deficit) on Collection Fund at 31.3.20 £000	Outturn surplus/(deficit) on Collection Fund at 31.3.21 £000	Total 2020/21 £000
11,073	Breckland	11,617	(21)	(56)	11,582
11,658	Broadland	12,221	(43)	39	12,304
13,104	Kings Lynn & West Norfolk	14,241	150	(513)	13,578
9,292	Norwich	10,042	460	119	9,700
7,229	Great Yarmouth	7,682	(74)	(143)	7,612
10,334	North Norfolk	10,894	84	(91)	10,719
12,520	South Norfolk	13,232	73	(51)	13,107
75,210		**79,928**	**629**	**(696)**	**78,602**

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 31.3.20 £000		Collection Fund £000	Net Arrears £000	Pre-payments £000	Balance at 31.3.21 £000
355	Breckland	56	558	(175)	439
24	Broadland	(39)	140	(189)	(88)
91	Kings Lynn & West Norfolk	513	598	(251)	860
(477)	Norwich	(119)	323	(288)	(84)
409	Great Yarmouth	143	742	(215)	670
(27)	North Norfolk	91	321	(218)	194
75	South Norfolk	51	329	(164)	216
450		**696**	**3,011**	**(1,501)**	**2,207**

12. External Audit Fees

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

2019/20 £000		2020/21 £000
	The Group has incurred the following costs in relation to the audit of the Statement of Accounts	
26	The PCC for Norfolk	26
12	The Chief Constable of Norfolk	12
38		**38**

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

Neither the 2020/21 nor the 2019/20 audit fees include any additional amount in respect of prior year audits.

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 2019/20 £000		Land and buildings £000	Vehicles plant and equipment £000	Assets under con-struction £000	Total 2020/21 £000
				Property, Plant & Equipment				
				Historic cost or revaluation				
62,936	29,715	970	93,621	Balance at 1 April	73,193	31,748	3,961	108,902
1,650	(149)	(1,926)	(424)	Reclassifications	5,078	191	(5,578)	(309)
3,054	4,559	4,917	12,530	Additions	1,218	5,063	5,203	11,485
(11)	(2,378)	-	(2,389)	Derecognition - disposals	(116)	(2,166)	-	(2,282)
5,564	-	-	5,564	Revaluation gains/ losses	297	-	-	297
73,193	**31,748**	**3,961**	**108,902**	**Balance at 31 March**	**79,670**	**34,836**	**3,586**	**118,092**
				Depreciation and impairments				
1,682	17,563	-	19,245	Balance at 1 April	1,676	18,919	-	20,595
(7)	-	-	(7)	Reclassifications	(5)	17	(20)	(7)
(2,632)	-	-	(2,632)	Depreciation written out on revaluation	(2,113)	-	-	(2,113)
()	(2,238)	-	(2,239)	Derecognition - disposals	(116)	(2,035)	-	(2,151)
2,633	3,595	-	6,228	Depreciation for the year	2,393	4,042	20	6,455
1,676	**18,919**	**-**	**20,595**	**Balance at 31 March**	**1,835**	**20,944**	**-**	**22,778**
61,254	12,152	970	74,375	Opening net book value	71,517	12,829	3,961	88,307
71,517	**12,829**	**3,961**	**88,307**	**Closing net book value**	**77,835**	**13,892**	**3,586**	**95,314**
				Revaluation movements above are reflected in the CIES as follows:				
			(514)	Charged/(credited) to the Net Cost of Services				3,925
			(7,683)	Charged/(credited) to Other Comprehensive Income and Expenditure				(6,334)
			(8,196)					**(2,409)**

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on land and buildings (£3,047), plant and equipment (£132k) and IT systems (£407k).

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 31 March 2020 £000		Software licences 31 March 2021 £000
	Purchased intangible assets	
	Historic cost or revaluation	
6,450	Balance at 1 April	6,808
80	Reclassifications	205
278	Additions	134
-	Derecognition - disposals	(105)
6,808	**Balance at 31 March**	**7,042**
	Amortisation	
3,381	Balance at 1 April	3,873
492	Amortisation for the year	830
-	Reclassifications	2
-	Derecognition - disposals	(105)
3,873	**Balance at 31 March**	**4,601**
3,069	Opening net book value	2,935
2,935	**Closing net book value**	**2,441**

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	1,985	13,892	3,586	19,463
Valued at fair value during year ended:				
31 March 2021	68,677	-	-	68,677
31 March 2020	547	-	-	547
31 March 2019	2,872	-	-	2,872
31 March 2018	3,079			3,079
31 March 2017	675	-	-	675
Balance at 31 March 2021	**77,835**	**13,892**	**3,586**	**95,314**

14. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2020/21 are set out below:

2019/20 £000		2020/21 £000
89,023	Opening capital financing requirement	89,986
	Capital investment	
278	Intangible fixed assets	134
7,613	Operational assets	6,282
4,917	Non operational assets	5,203
	Sources of finance	
(501)	Capital receipts	(423)
(638)	Government grants and other contributions	(242)
(7,476)	Direct revenue contributions	(5,994)
(3,230)	Revenue provision including MRP	(2,057)
89,986	**Closing capital financing requirement**	**92,888**
	Explanation of movements in year	
963	Increase/(decrease) in underlying need to borrow	2,902
963	**Increase/(decrease) in capital financing requirement**	**2,902**

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 2020/21 was £2,057k (2019/20 - £3,230k).

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 2020/21 was £1.469m (£1.444m in 2019/20). Payments remaining to be made under the PFI contract at 31 March 2021 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Revenue Services £000	Capital Payments £000	Interest £000	Total £000
Payable in 2021/22	1,506	622	2,766	4,894
Payable within two to five years	6,343	3,291	10,259	19,894
Payable within six to ten years	7,877	6,752	10,186	24,815
Payable within eleven to fifteen years	8,912	11,651	5,287	25,850
Payable within sixteen to twenty years	1,348	1,678	129	3,155
	25,986	**23,994**	**28,627**	**78,607**

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 2020/21 amounted to £1.409m (£1.329m in 2019/20). This figure includes a credit received from Cambridgeshire Police for £0.523m in respect of services provided at the Kings Lynn PIC.

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 31.3.21 £000	Norfolk Historic Cost 31.3.20 £000
Aylsham - 28.2.11	8	-	-	6,967	6,967	6,967
Wymondham - 4.4.11	30	-	-	11,398	11,398	11,398
Kings 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 2021 (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 2021/22	2,015	761	2,647	35	5,458
Payable within two to five years	8,432	3,957	9,806	189	22,384
Payable within six to ten years	12,927	5,912	10,517	(30)	29,327
Payable within eleven to fifteen years	15,123	8,476	7,691	(283)	31,007
Payable within sixteen to twenty years	15,608	13,503	3,207	15	32,333
	54,104	**32,609**	**33,869**	**(74)**	**120,508**

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. In 2019/20, 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 2021 £000	31 March 2020 £000
PFI - PICs		
Balance outstanding at the beginning of the year	33,311	35,243
Adjustment arising from remodelling of PFI Liabilities	-	(1,247)
Capital repayments during the year	(702)	(685)
Balance outstanding at year end	**32,609**	**33,311**
PFI - OCC		
Balance outstanding at the beginning of the year	24,552	25,052
Capital repayments during the year	(557)	(500)
Balance outstanding at year end	**23,994**	**24,552**
Total balance outstanding at year end	**56,603**	**57,863**
Made up as follows:		
Due in less than one year	1,383	1,260
Due in more than one year	55,220	56,603
	56,603	**57,863**

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

	31 March 2021 £000	31 March 2020 £000
Net book value at the beginning of the year	45,249	37,999
Additions	-	-
Revaluations during the year	1,188	9,400
Depreciation during the year	(1,874)	(2,150)
Net book value at the end of the year	**44,563**	**45,249**

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 2020/21 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 partially 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. Gains from settlements are due to staff being transferred to Norfolk County Council at the beginning of the year.

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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
		Restated		Restated		Restated
Comprehensive Income and Expenditure Statement						
Cost of services						
Current service costs	13,024	15,251	40,290	42,890	240	283
Past service costs	25	73	-	(6,610)	-	-
(Gain)/loss from settlement	(140)	-	-	-		
Financing and investment income and expenditure						
Net interest expense	2,145	3,050	37,800	44,080	38	38
Total post employment benefit charges to the surplus or deficit on the provision of service	**15,054**	**18,374**	**78,090**	**80,360**	**278**	**321**
Other post employment benefit charged to the CIES						
- Return on plan assets (excluding the amount included in the net interest expense)	(46,644)	19,184	-	-	(505)	(155)
- Actuarial gains/losses arising from changes in demographic assumptions	4,977	(9,159)	-	(54,070)	72	(117)
- Actuarial gains/losses arising from changes in financial assumptions	102,091	(39,442)	203,280	(66,210)	1,613	(356)
- Other	(3,044)	(13,297)	(44,905)	(34,646)	(35)	637
	57,380	(42,714)	158,375	(154,926)	1,145	9
Total post employment benefit charged to the CIES	**72,434**	**(24,340)**	**236,465**	**(74,566)**	**1,423**	**330**
Movement in Reserves Statement (MIRS):						
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**(72,434)**	**24,340**	**(236,465)**	**74,566**	**(1,423)**	**(330)**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	8,283	7,395	40,055	40,704	168	149
Memo						
Retirement benefits payable to pensioners	(5,624)	(5,616)	(48,385)	(49,244)	(30)	(55)

Assets and liabilities in relation to retirement benefits

	Group						PCC	
	Local Government Pension Scheme		Police Pension Schemes		Total Pension Schemes		Local Government Pension Scheme	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Present value of liabilities	(419,832)	(299,375)	(1,876,690)	(1,680,280)	(2,296,522)	(1,979,655)	(5,825)	(3,819)
Fair value of plan assets	264,566	208,260	-	-	264,566	208,260	2,940	2,189
Total net liabilities	**(155,266)**	**(91,115)**	**(1,876,690)**	**(1,680,280)**	**(2,031,956)**	**(1,771,395)**	**(2,885)**	**(1,630)**

Reconciliation of present value of the scheme liabilities

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	299,375	340,951	1,680,280	1,795,550	3,819	3,291
Current service cost	13,024	15,251	40,290	42,890	240	283
Interest cost	6,983	8,346	37,800	44,080	91	86
Contributions by scheme participants	2,525	2,219	8,330	8,540	59	53
Remeasurement (gains) and losses:						
- Actuarial gains/losses arising from changes in demographic assumptions	4,977	(9,159)	-	(54,070)	72	(117)
- Actuarial gains/losses arising from changes in financial assumptions	102,091	(39,442)	203,280	(66,210)	1,613	(356)
- Other	(3,053)	(13,248)	(44,905)	(34,646)	(39)	634
Past service costs	25	73	-	(6,610)	-	-
Benefits paid	(5,624)	(5,616)	(48,385)	(49,244)	(30)	(55)
Effects of settlements	(491)	-	-	-	-	-
Closing balance at 31 March	**419,832**	**299,375**	**1,876,690**	**1,680,280**	**5,825**	**3,819**

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	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Opening fair value of scheme assets at 1 April	208,260	218,101	-	-	2,189	1,842
Interest income	4,838	5,296	-	-	53	48
Remeasurement gain/(loss):						
- the return on plan assets, excluding the amount included in the net interest expense	46,644	(19,184)	-	-	505	155
- other	(9)	49	-	-	(4)	(3)
Contributions from employer	8,283	7,395	40,055	40,704	168	149
Contributions from employees into the scheme	2,525	2,219	8,330	8,540	59	53
Benefits paid	(5,624)	(5,616)	(48,385)	(49,244)	(30)	(55)
Effects of settlements	(351)	-	-	-	-	-
Closing fair value of scheme assets at 31 March	**264,566**	**208,260**	**-**	**-**	**2,940**	**2,189**

The total net pensions liabilities of £2,032m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £2,008m. 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 2021 £000	%	31 March 2020 £000 Restated	%		PCC Fair Value of Scheme Assets 31 March 2021 £000	%	31 March 2020 £000 Restated	%
4,126	**1.56**	**5,510**	**2.65**	Cash and cash equivalents	**45**	**1.54**	**58**	**2.65**
				Bonds - by sector				
3,011		2,420		- Government	34		25	
3,011	**1.14**	**2,420**	**1.16**	Sub total bonds	**34**	**1.14**	**25**	**1.16**
				Property - by type				
21,038		17,920		- UK property	234		189	
5,351		4,103		- Overseas property	60		43	
26,389	**9.97**	**22,023**	**10.57**	Sub total property	**293**	**9.98**	**232**	**10.58**
16,787	**6.34**	**12,533**	**6.02**	Private equity - all:	**187**	**6.34**	**132**	**6.02**
				Other investment funds:				
117,904		92,391		- Equities	1,310		971	
78,544		67,859		- Bonds	873		713	
16,733		5,817		- Infrastructure	186		61	
974		0		- Other	11		0	
214,155	**80.95**	**166,066**	**79.74**	Sub total other investment funds	**2,380**	**80.96**	**1,745**	**79.74**
				Derivatives:				
98		(292)		- Foreign exchange	1		(3)	
0		0		- Other	0		0	
98	**0.04**	**(292)**	**-0.14**	Sub total derivatives	**1**	**0.04**	**(3)**	**-0.14**
264,566	**100**	**208,260**	**100**	**Total Assets**	**2,940**	**100**	**2,189**	**100**

The 31 March 2020 values have been restated because a breakdown of equities is no longer required and has been combined.

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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Mortality assumptions:						
Longevity at 65 for current pensioners						
Men	21.9	21.7	22.0	21.9	21.9	21.7
Women	24.3	23.9	23.7	23.6	24.3	23.9
Longevity at 65 for future pensioners						
Men	23.2	22.8	23.7	23.6	23.2	22.8
Women	26.2	25.5	25.3	25.2	26.2	25.5
Rate of inflation (CPI)	2.80%	1.80%	2.40%	2.00%	2.80%	1.80%
Rate of increases in salaries	3.50%	2.50%	4.15%	4.00%	3.50%	2.50%
Rate of increase in pensions	2.80%	1.80%	2.40%	2.00%	2.80%	1.80%
Rate for discounting scheme liabilities	2.05%	2.30%	2.00%	2.25%	2.05%	2.30%
Rate of CARE revaluation	n/a	n/a	3.65%	3.25%	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	13.0%	51,375	10.0%	183,000	14.0%	830
1 year increase in member life expectancy	3-5%	8,939-14,878	3.5%	64,000	3-5%	177-296
0.5% increase in the salary increase rate	1.5%	6,142	1.0%	21,000	2.0%	137
0.5% increase in the pension increase rate	11.0%	44,112	9.0%	172,000	12.0%	672

Unlawful discrimination

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April 2012 to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

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 yet to be amended, the outcomes 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 and 2020/21 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 full financial burden for remedy.

Valuations

Scheme liabilities will be measured through the pension valuation process, which determines employer and employee contribution rates. The last LGPS valuation took place in 2019 and the police pension valuation took 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.

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 £1.268m (18% plus £1.269m 2019/20). The last triennial valuation was dated 31 March 2019.

Estimated employer's contributions for 2021/22 amount to £8.230m on the LGPS and £40.6m on the Police schemes.

The weighted average duration of the defined benefit obligation for the LGPS is Group 25.0 years and PCC 29.0 years, 2020/21 (Group 22.0 years, PCC 29.0 years, 2019/20) and for the Police schemes is 21.0 years, 2020/21 (21.0 years, 2019/20).

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 2021 temporary lending comprised:

	31 March 2021 £000	31 March 2020 £000
Money market and temporary cash deposits		
Banks	-	3,000
Total temporary lending	**-**	**3,000**
Represented by:		
Short term investments	-	3,000

18. Debtors, Prepayments and Deferred Costs

	31 March 2021 £000	31 March 2020 £000
Short term debtors:		
Trade receivables	1,314	1,890
Prepayments & deferred costs	2,038	3,848
Accrued income	4,847	4,958
Debtors relating to local taxation	3,184	2,809
Other receivable amounts	2,790	2,359
Balance at 31 March	**14,173**	**15,864**

19. Cash and Cash Equivalents

	31 March 2021 £000	31 March 2020 £000
Imprest accounts	68	68
Bank current accounts	437	1,561
Instant access deposits with banks	11,252	9,271
Deposit with a maturity date less than 3 months from acquisition	1,000	-
Balance at 31 March	**12,756**	**10,900**

20. Assets Held for Sale

	Current		Non-current	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Balance at 1 April	417	447	-	-
Assets newly classified as held for sale:				
Property, plant and equipment	99	337	-	-
Assets sold	(195)	(367)	-	-
Balance at 31 March	**321**	**417**	**-**	**-**

21. Creditors

	Group		PCC	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Short term creditors:				
Trade payables	2,134	3,131	2,134	3,131
Accruals and receipts in advance	8,348	8,841	6,756	7,809
Creditors relating to local taxation	3,880	2,179	3,880	2,179
Other payables	5,101	4,781	5,101	4,781
Balance at 31 March	**19,463**	**18,933**	**17,871**	**17,900**

22. Reconciliation of Revenue Cash Flow

Group 2019/20 £000	Group 2019/20 £000	PCC 2019/20 £000	PCC 2019/20 £000		Group 2020/21 £000	Group 2020/21 £000	PCC 2020/21 £000	PCC 2020/21 £000
				Adjustment for non cash or cash equivalent items within deficit on provision of services:				
6,207		6,207		Depreciation and impairments		11,210		11,210
15		15		Profit and loss on disposal of fixed assets		(98)		(98)
50,635		173		Movements on pension liability		44,805		110
56,857		6,395				55,917		11,222
	2,005		1,733	Increase/(decrease) in revenue creditors	685		126	
	(1,182)		(1,182)	Decrease/(increase) in revenue debtors	1,691		1,691	
	(39)		(39)	Decrease/(increase) in stocks	(14)		(14)	
	(105)		(105)	Increase/(decrease) in revenue provisions	165		165	
678		407				2,527		1,968
57,536		**6,802**				**58,444**		**13,190**
				The total cash flows for operating activities include:				
5,826		5,826		Interest paid and similar charges		6,716		6,716
(212)		(212)		Interest received		(40)		(40)

23. Reconciliation of Liabilities Arising from Financing Activities

	1 April 2020	Financing cash flows	Non-cash Changes Acquisition	Other Non-cash changes	31 March 2021
	£000	**£000**	**£000**		**£000**
Long term borrowings	23,742	(175)	-	(4)	23,563
Short term borrowings	287	-	-	3	290
On balance sheet PFI liabilities	57,863	(1,260)	-	-	56,603
Total liabilities from financing activities	**81,892**	**(1,434)**	**-**	**(1)**	**80,456**

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 are currently no open claims against Norfolk Constabulary. As this point in time, it is not possible to calculate the full amount payable on future 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 64 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 claims against the Police Pension Scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way. Liabilities reflecting the judgement have therefore been provided for in these financial statements.

However, in addition to the remedy, claimants have lodged claims for compensation for injury to feelings. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful. As a result, no liability is recognised in the accounts.

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 2021 relates to £118k 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.

	Balance 1 April 2020 £000	Charge in year £000	Paid/ Reversed in year £000	Balance 31 March 2021 £000
Insurance claims	799	865	(529)	1,135
Employment tribunals and judicial reviews	226	(42)	(64)	120
Other revenue provisions	44	(3)	(33)	8
Exit packages	30	82	(112)	-
Total	**1,099**	**902**	**(737)**	**1,263**

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 2021 £000	31 March 2020 £000
Not later than one year	466	560
Later than one year but not later than five years	437	1,167
Later than five years	28	26
	931	**1,753**

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

	31 March 2021 £000	31 March 2020 £000
Minimum lease payments	630	801
Contingent rents	28	27
	658	**827**

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 future years are:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	74	57
Later than one year but not later than five years	63	32
Later than five years	28	-
	165	**89**

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

	31 March 2021 £000	31 March 2020 £000
Minimum lease payments	131	124
Contingent rents	6	16
	137	**140**

27. Earmarked Balances within the General Fund

The movements in general fund and earmarked balances in 2020/21 are analysed as follows:

	Note	Balance 1 April 2020 £000	Received £000	Applied £000	Reallocated £000	Balance 31 March 2021 £000
Revenue reserves:						
Regional Partnership	(a)	-	193	-	-	193
Budget Support	(b)	1,310	1,619	(188)	542	3,283
Invest to Save	(c)	2,125	-	-	-	2,125
Capital Financing & Efficiency	(d)	5,609	928	-	56	6,593
Insurance	(e)	1,000	-	-	(144)	856
PCC	(f)	1,618	261	(42)	-	1,837
Safety Camera	(g)	1,210	266	(375)	-	1,101
Maturity Loan Repayment Reserve	(h)	598	-	-	(598)	-
Community Safety Reserve	(i)	500	-	(144)	144	500
Efficiency Reserve	(j)	-	125	-	-	125
Total		**13,969**	**3,392**	**(749)**	**-**	**16,612**

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 2020/21, an underspend in relation to the Eastern Region Special Operations Unit (ERSOU) of £68k and a property maintenance sinking fund of £125k were added to this reserve.

(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. The plan was to end the use of this reserve and repurpose the remaining balance for use as part of the Invest to Save Reserve and the Capital Financing and Efficiency Improvement Reserve. However, given the economic uncertainty caused by the Covid-19 pandemic and lockdown restrictions, this reserve has been re-established and an allocation of £3.378m has been made. This reserve will be used to absorb the potential economic funding shocks that are expected to arise over the medium-term as the government looks to address unprecedented levels of debt.

(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

The Capital Financing Reserve and Efficiency Improvement Reserve is used to help fund the short-life asset requirement 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. This is a key reserve and forecast levels are reviewed each year against the capital programme to make sure there is sufficient funding available for future years.

(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 result the reserve is adjusted accordingly.

(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

The Maturity Loan Repayment Reserve was a new reserve that was 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. However, as borrowing is only undertaken at the point of need and cashflow is carefully monitored throughout the year the strategy has been reviewed. The loans will be paid off as required either through internal cash balances or through refinancing as necessary on improved rates and terms compared to the original loans. This is still a prudent course of action and this reserve has been re-distributed and closed.

(i) Community Safety Reserve

The Police Reform and Social Responsibility Act 2011 sets out a number of ways that PCC's and Community safety Partnerships should work together, including a mutual duty to co-operate with regards to each other's priorities. The Community Safety Reserve enables 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.

(j) Efficiency Reserve

This reserve has been created for the purposes of transferring in year OPCC underspend, achieved from efficiencies and new ways of working, in order to enable the PCC in drawing down for one off projects that support his Police and Crime Plan.

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 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 2021	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Comp' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2020	**(1,771,396)**	**20,695**	**(19,022)**	**630**	**(1,033)**	**(1,770,126)**
Other comprehensive income and expenditure	(215,755)	6,334	-	-	-	**(209,421)**
Total comprehensive income and expenditure	**(215,755)**	**6,334**	**-**	**-**	**-**	**(209,421)**
Amortisation of intangible assets	-	-	(830)	-	-	**(830)**
Depreciation on property, plant and equipment	-	(715)	(5,740)	-	-	**(6,455)**
Revaluation losses on property, plant and equipment	-	-	(3,925)	-	-	**(3,925)**
Application of capital grants from unapplied account	-	-	242	-	-	**242**
Net gain or loss on the sale of non-current assets	-	(125)	(201)	-	-	**(326)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(63,881)	-	-	-	-	**(63,881)**
Movement on the Collection Fund Adjustment Account	-	-	-	(1,326)	-	**(1,326)**
Capital expenditure charged to the General Fund Balance	-	-	5,994	-	-	**5,994**
Statutory provision for the repayment of debt	-	-	2,057	-	-	**2,057**
Contribution to the Police Pension Fund	19,076	-	-	-	-	**19,076**
Movement on the Compensated Absences Account	-	-	-	-	(559)	**(559)**
Use of capital receipts to fund asset purchases	-	-	423	-	-	**423**
Adjustments between accounting basis and funding basis under regulations	**(44,805)**	**(839)**	**(1,980)**	**(1,326)**	**(559)**	**(49,508)**
Increase / (decrease) in year	**(260,560)**	**5,495**	**(1,980)**	**(1,326)**	**(559)**	**(258,929)**
Balance at 31 March 2021	**(2,031,956)**	**26,190**	**(21,002)**	**(696)**	**(1,592)**	**(2,029,055)**

Year Ended 31 March 2020	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund 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)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	**-**
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)**
Increase / (decrease) in year	**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)**

PCC:

Year Ended 31 March 2021	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2020	**(1,632)**	**20,696**	**(19,022)**	**630**	**669**
Other comprehensive income and expenditure	(1,145)	6,334	-	-	**5,189**
Total comprehensive income and expenditure	**(1,145)**	**6,334**	**-**	**-**	**5,189**
Amortisation of intangible assets	-	-	(830)	-	**(830)**
Depreciation on property, plant and equipment	-	(715)	(5,740)	-	**(6,455)**
Revaluation losses on property, plant and equipment	-	-	(3,925)	-	**(3,925)**
Application of capital grants from unapplied account	-	-	242	-	**242**
Net gain or loss on the sale of non-current assets	-	(125)	(201)	-	**(326)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(110)	-	-	-	**(110)**
Movement on the Collection Fund Adjustment Account	-	-	-	(1,326)	**(1,326)**
Capital expenditure charged to the General Fund Balance	-	-	5,994	-	**5,994**
Statutory provision for the repayment of debt	-	-	2,057	-	**2,057**
Use of capital receipts to fund asset purchases	-	-	423	-	**423**
Adjustments between accounting basis and funding basis under regulations	**(110)**	**(839)**	**(1,980)**	**(1,326)**	**(4,254)**
Increase / (decrease) in year	**(1,255)**	**5,495**	**(1,980)**	**(1,326)**	**935**
Balance at 31 March 2021	**(2,886)**	**26,191**	**(21,002)**	**(696)**	**1,604**

Year Ended 31 March 2020	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2019	**(1,449)**	**14,011**	**(25,143)**	**1,373**	**(11,208)**
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**
Increase / (decrease) in year	**(181)**	**6,684**	**6,121**	**(743)**	**11,880**
Balance at 31 March 2020	**(1,633)**	**20,695**	**(19,022)**	**630**	**669**

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			
	31.3.21	31.3.20	31.3.21	31.3.20	31.3.21	31.3.20	31.3.21	31.3.20	31.3.21	31.3.20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets										
Amortised cost	-	3,000	19,066	17,905	-	-	-	-	19,066	20,905
Total Financial Assets	**0**	**3,000**	**19,066**	**17,905**	**-**	**-**	**-**	**-**	**19,066**	**20,905**
Non Financial Assets	-	-	8,768	9,846	-	-	-	-	8,768	9,846
Total Assets	**0**	**3,000**	**27,834**	**27,751**	**-**	**-**	**-**	**-**	**27,834**	**30,751**

	Current				Long Term				Total	
	Borrowings		Other liabilities		Borrowings		Other liabilities			
	31.3.21	31.3.20	31.3.21	31.3.20	31.3.21	31.3.20	31.3.21	31.3.20	31.3.21	31.3.20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities										
Amortised cost	290	287	8,837	10,724	23,563	23,742	2,031,958	1,771,397	2,064,648	1,806,150
Total Financial Liabilities	**290**	**287**	**8,837**	**10,724**	**23,563**	**23,742**	**2,031,958**	**1,771,397**	**2,064,648**	**1,806,150**
Non Financial Liabilities	-	-	13,325	10,620	-	-	55,220	56,603	68,545	67,223
Total Liabilities	**290**	**287**	**22,162**	**21,344**	**23,563**	**23,742**	**2,087,179**	**1,828,000**	**2,133,194**	**1,873,373**

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

2019/20 Surplus or Deficit on the Provision of Services £000	2019/20 Other Comp. Income and Expenditure £000		2020/21 Surplus or Deficit on the Provision of Services £000	2020/21 Other Comp. Income and Expenditure £000
		Net (gains)/losses on:		
0	-	Financial assets measured at amortised cost	-	-
-	-	Financial liabilities measured at amortised cost	-	-
0	-	**Total net (gains)/losses**	-	-
		Interest revenue:		
(218)	-	Financial assets measured at amortised cost	(25)	-
(218)	**-**	**Total interest revenue**	**(25)**	**-**
5,618	**-**	**Interest expense**	**6,715**	**-**
		Fee Expense:		
-	-	Financial assets or financial liabilities that are not at fair value through profit or loss	-	-
-	**-**	**Total fee expense**	**-**	**-**

Reconciliation of Movements in Allowance for Expected Credit Loss

	Balance 1 April 2020 £000	Amounts written off in year £000	Movement in allowance for credit losses £000	Balance 31 March 2021 £000
Financial Assets				
Fair value through profit or loss at amortised cost				
measured as lifetime expected credit losses	(1)	1	-	-
Total	**(1)**	**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 2021		31 March 2020	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities				
PWLB loan	23,853	33,871	24,029	37,708
	23,853	**33,871**	**24,029**	**37,708**

The fair value of borrowings in 2020/21 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 2021) 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	Total £000	Recurring fair value measurements using:	Other significant observable inputs (Level 2) £000	Total £000
	2019/20	Year Ended 31 March		2020/21
		Financial liabilities (held at amortised cost)		
37,708	37,708	PWLB loan	33,871	33,871
1,771,397	1,771,397	Long term creditors	2,031,958	2,031,958
57,863	57,863	PFI and finance lease liabilities	56,603	56,603
1,866,968	**1,866,968**	**Total**	**2,122,432**	**2,122,432**
		Financial assets (held at amortised cost)		
10,900	10,900	Cash and cash equivalents	12,756	12,756
3,000	3,000	Investments	-	-
7,005	7,005	Debtors	6,310	6,310
20,905	**20,905**	**Total**	**19,066**	**19,066**

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 2020/21, 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 38.

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 2021 that this was likely to crystallise.

Of the £1,314k outstanding from customers £594k was past its due date for payment at the year-end. The past due amount can be analysed by age as follows:

	Amount past due 31.3.21 £000	Amount past due 31.3.20 £000
Less than three months	544	575
Three to six months	47	8
Six months to one year	1	79
More than one year	2	25
	594	**688**

[3] Annual Investment and Treasury Management Strategy

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 £4,388k.

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 2021.

31. Capital Commitments

Significant commitments under capital contracts as at 31 March 2021 are analysed as follows:

2020 £000		2021 £000
1,873	Tasers & other firearms	742
-	Norfolk Learning Centre	590
-	ICT software upgrades	547
314	Vehicles	223
-	Athena	144
280	ICT replacements & equipment refresh	133
2,283	Estates strategy	98
-	Digital Strategy (incl mobile data)	55
58	Other	41
202	Windows 10	-
10	ESN ICCS upgrade	-
5,021	**Total committed**	**2,571**

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. Due to the impact of the pandemic, and the risks associated with the financial impact in 2020/21 and on future years funding, the constabulary took prudent actions to control spending and protect reserves. This response is providing a proportionate level of reserves to absorb any funding constraints that may arise in the expected 3-year Comprehensive Spending Review.

As a last resort, the PCC maintains a General Reserve of £4.475m, has increased the Budget Support Reserve to £3.378m and has an Invest to Save Reserve of £2.125m that in extremis would be used to manage the financial risks of major incidents. However, through the prudent action taken to control spending in-year as a response to the pandemic, and due to the additional funding made available by the Home Office the Group recorded an outturn underspend of £0.685m.

Government has now established a roadmap to ease restrictions over a period of time, and policing will adapt to what needs to be delivered through these changes. At this point, the constabulary has moved into being very close to its business as usual model and is not incurring any significant costs in respect of the pandemic.

A high-level scenario planning exercise has been completed and compared against our current MTFP assumptions. The budget gap for 2022/23 ranges between reasonable pragmatic case (£0.567) to worst case (£3.851m) given a range of assumptions on government funding, precept decisions, tax base growth and collection fund deficits. 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 £14.169m. This still remains well 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 of authorisation of the financial statements 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

2019/20			2020/21	
£000	£000		£000	£000
		Contributions receivable		
		Employer		
	17,764	Normal	18,975	
	399	Early retirements	255	
18,162				19,229
		Members		
	7,682	Normal	8,267	
7,682				8,267
		Transfers in		
	900	Individual transfers in from other schemes	160	
900				160
		Benefits payable		
	(38,456)	Pensions	(39,687)	
	(8,708)	Commutations and lump sum retirement benefits	(6,946)	
	(490)	Other	(79)	
(47,653)				(46,712)
		Payments to and on account of leavers		
	(18)	Refunds on contributions	(20)	
(18)				(20)
(20,927)		**Net amount payable for the year before contribution from the Police General Fund**		**(19,076)**
20,927		**Contribution from the Police General Fund**		**19,076**
-		**Net balance receivable for the year**		**-**

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 2020/21 a specific grant of £1.6m was received to part fund the cost of this change in contribution rates. The Constabulary funds the resulting balance, which amounted to £4.4m in 2020/21 (2019/20 - £4.0m).

Net Assets and Liabilities

2019/20		2020/21
£000		£000
	Net current assets	
-	Net balance receivable from the Police General Fund	-
-	**Net Current Assets at 31 March**	**-**

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.

NORFOLK CONSTABULARY

Our Priority is You

THE CHIEF CONSTABLE OF NORFOLK CONSTABULARY

STATEMENT OF ACCOUNTS

31 March 2021

Statement of Accounts

for the year ended 31 March 2021

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Statement of Responsibilities for the Statement of Accounts

The Chief Constable of Norfolk Constabulary's Responsibilities

The Chief Constable must:

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

Approval of Statement of Accounts

I approve the following Statement of Accounts:

Paul Sanford

Temporary Chief Constable of Norfolk Constabulary

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

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

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

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

The CFO of the Chief Constable has also:

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

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

I certify that this statement of accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Chief Constable of Norfolk Constabulary at 31 March 2021, and its income and expenditure for the year to that date.

Peter Jasper ACMA, Assistant Chief Officer

Narrative Report

Introduction

This Narrative Report provides information about Norfolk Constabulary, including the key issues affecting its accounts. It also provides a summary of the financial position at 31 March 2021 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 2020/21 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Impact of Covid-19 pandemic and Exiting the EU
8. Funding Settlement 2021/22 and beyond

1. The policing context for Norfolk

Information about the Office of the Chief Constable of Norfolk

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

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

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

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

The County of Norfolk

Norfolk is the fifth largest county in England with a land area of 2,074 square miles with approximately 100 miles of coastline. The estimated population of Norfolk in 2021 is 918,800 (source: Norfolk insight). 93% of Norfolk's land area is classed as rural and is reflected by the Police and Crime Plan priority to tackle crime within rural communities. Although such a large proportion of land is rural, 51% of the population lives in an urban area (mid-2019 estimates). The four main urban areas are Norwich, Great Yarmouth, King's Lynn and Thetford.

Norfolk has a much older age profile than England as a whole, with 25% of the population aged 65 and older compared with 18% in England (2019 estimate). Over the next twenty years there is a projected growth of 83,500 people in Norfolk and the population is aging, with those aged over 65 making up 31% of the population [1].

Norfolk is a popular tourist destination, and in 2018 the county received 3.1m overnight visitors and 47.8m day trips were made. Norfolk's visitor economy in 2018 was calculated at £3.34bn, with the transient populations associated with tourism impacting on the policing of Norfolk to varying extents at different times of the year. The number of jobs in the county's tourism sector in 2018 was 67,000, accounting for 19% of all employment[2], whilst other significant employers in the Norfolk economy include the public sector, agriculture, retail and engineering. Norfolk Constabulary supports hundreds of events throughout the year, including Norwich City football matches, Norwich Pride, the Sundown music festival and numerous local carnivals and occasions. The outbreak of Covid-19 has seen a suspension of such events, however, many are planning to go ahead in the latter stages of 2021, creating a busy period that will be compounded by the predicted higher than usual influx of UK tourists.

There are areas of high flood risk within the county, namely Great Yarmouth, the Norfolk Broads, the outskirts of Norwich (River Yare) and the coastal areas of North Norfolk and King's Lynn. A further 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 and is again reflected as a priority focus (to improve road safety) of the Police and Crime Plan. Both factors pose challenges, again impacting on the policing of the county.

Change in demand caused by Covid-19

This financial year saw the impact of the coronavirus pandemic. This had a radical effect on demand for policing owing to changes in legislation and the impact of the changes to societal norms such as the periods of lockdown. On the one hand, through the lockdown periods certain crime types reduced, whilst on the other hand policing had to adapt to ensure that the communities were abiding by the short-term changes to legislation and to ensure that Norfolk as a tourism hotspot was not inappropriately being visited.

All of this radical change had to be managed alongside the fact that the organisation had to deal with the risk of Covid-19 to the officers and staff delivering the service.

Norfolk Constabulary is proud of how it maintained the trust and confidence in its communities through the pandemic, and maintained its service throughout.

At the point of writing, we are slowly emerging from the pandemic towards the end of the financial year. Sadly, it is clear that the trends of increases in high harm, high complexity crimes has not abated. In addition, it is hoped there will be a return to normality as we reach the summer, the busiest period of demand for policing. Summer planning has been significant this year to increase the preventative work as much as possible and provide visible reassurance as society returns to normal, and perhaps a greater influx than usual of visitors is expected.

The Norfolk 2020 programme has concluded successfully. A Norfolk Horizons programme has launched that will focus on how best to deliver policing with the changes to recruitment and training of the Police Educational Qualification Framework, and how to maximise the opportunity that the National Uplift Programme of officers provides. Norfolk is scheduled to have gained more than 200 additional officers by the end of the next financial year (22/23). To date these have seen crucial additional numbers to counter the threat of county lines on our neighbourhoods as well as investments in detective roles and Operation Moonshot.

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.

[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

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 the 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 was 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 31 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.

Norfolk Constabulary and Norfolk Fire and Rescue Service continue to strengthen their working relationship with individual governance at this time. The Fire Control Room moved in alongside the Police Control Room and initiatives have been undertaken to ensure closer collaboration. A number of other collaborative working arrangements, such as sharing of estate have or are being worked on.

A Home Office Review was announced to take the form of two phases. The results of phase one were announced before the election and a consultation on mandating fire governance by the PCC was among the plans to be progressed after the election.

Phase two will be progressed and reported once the PCC elections are complete.

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.

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 2020/21 Statement of Accounts for the Chief Constable are set out on the following pages. The purpose of individual primary statements is explained below:

- **The Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Adjustments made between the accounting and funding bases are shown in the Movement in Reserves Statement.

- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets of the Chief Constable (assets less liabilities) are matched by the reserves held by the Chief Constable.

- **The Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the Chief Constable. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

- **The Cash Flow Statement** shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Chief Constable generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, all cash is held by the PCC for Norfolk so the cash flow statement for the Chief Constable shows the net deficit on the provision of services as non-cash movements.

Please note that occasionally minor differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies.

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

4. The 2020/21 Revenue and Capital Budget Process

A joint financial planning process took place between July 2019 and January 2020 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 2020/21 police budget which ran for 5 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 2020 and presented by the PCC to the Police and Crime Panel at its meeting on 4 February 2020.

These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2020/21 to 2024/25 and was signed off in February 2020.

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

5. Financial Performance

Savings plans

The Chief Constable has run a well-established and effective change programme over recent years. The programme is required to deal with the impact of funding settlements, 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.

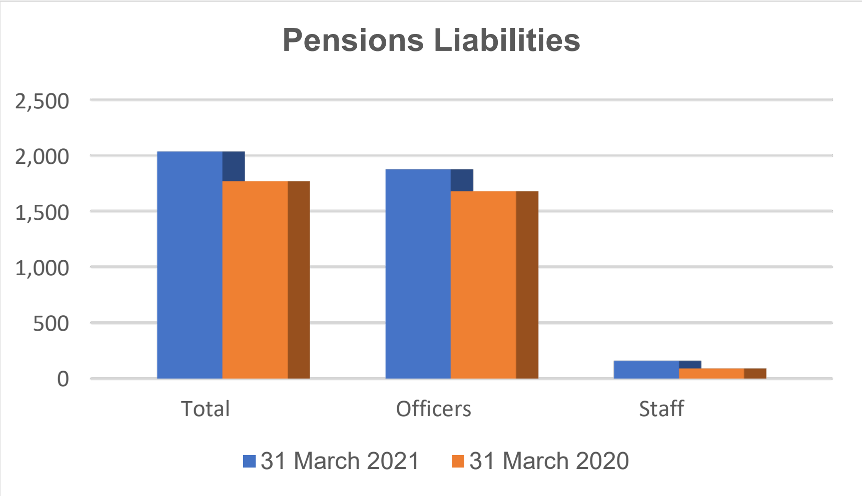
Savings plans of £2m were identified for 2020/21, and those savings have been achieved. The PCC and Chief Constable are jointly committed to providing the best possible policing service across Norfolk whilst at the same time increasing efficiency and reducing costs.

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 challenges caused by the pandemic. This will be kept under constant review through the current governance arrangements that are still running and are still effective.

Long Term Liabilities

Pension Liabilities

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



These liabilities result in the Balance Sheet showing net overall liabilities of £2,031m at 31 March 2021, however, the financial position of the Chief Constable remains sound as these liabilities will be spread over many years.

The value of the LGPS pension fund assets is calculated by the actuary as part of the formal triennial valuation process, and rolled forward to the balance sheet date, allowing for any movements in the year. These movements include investment returns, which may be estimated where necessary. Investment returns have been greater than expected, primarily as a bounce-back following the 2019/20 impact of the Covid-19 worldwide pandemic.

Reserves

The Chief Constable does not hold any usable reserves.

Annual Governance Statement

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

6. Non-financial Performance

Like most police forces in England and Wales, crime reported to and recorded by Norfolk Constabulary has been affected by the onset of Covid-19 and the resulting measures that were put in place across 2020 and 2021. In the 12 months to the end of March 2021 there were 62,434 recorded crimes, almost exactly the same as the long-term average (62,407). Whilst the overall crime level has stayed relatively stable, there have been some significant variances across different crime types. Rises in Domestic Abuse, Hate Crime and Online Crime reflect the impact that three national lockdowns have had on crime, as does the decrease in Acquisitive Crime. Considerable efforts have been 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. In addition, investments made by the Constabulary to ensure crime is recorded as accurately as possible continue to support our understanding of demand.

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 Horizons 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.

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	2019/20	2020/21
Domestic Abuse	*Number of crimes*	11,424	13,646
	Solved rate	12%	9%
Serious Sexual Offences	*Number of crimes*	2,350	2,040
	Solved rate	6%	8%
Child Sexual Abuse	*Number of crimes*	1,647	1,583
	Solved rate	7%	11%
Hate Crime	*Number of crimes*	1,105	1,349
	Solved rate	15%	12%
Online Crime	*Number of crimes*	1,555	2,911
	Solved rate	11%	9%
Call Handling	*% 999 calls answered in 10 seconds*	90%	91%
Emergency Response	*% of emergencies responded to in target time*	89%	90%
Road Safety	*Number of KSI collisions*	416	319

Demands on the Constabulary have changed in nature in recent years. Acquisitive crimes have reduced, while crimes such as domestic abuse and sexual offences have been rising. In 2020/21 however, the onset of the Covid-19 pandemic impacted the demand recorded in some vulnerability crime types. Whilst domestic abuse has continued to increase year on year, some sexual offences (particularly CSA and serious sexual offences) reduced in the number recorded. It is yet to become clear whether this reflects a true reduction in offences or whether the demand will be recorded as latent demand as we continue to ease out of social restrictions. Where rises in crime are accompanied by reductions in solved rates, this is a reflection of the changing demand, and is 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 perceptions of safety within the county and the job that the Constabulary is doing are positive.

7. Impact of Covid-19 Pandemic and Exiting the EU

Clearly, 2020/21 has been an extraordinary year with Covid-19 having had a major impact on everyone's lives within the United Kingdom, as well as on every sector of the economy. In addition to that the UK has now exited the EU. During the year changes were made to the policing model in Norfolk in order that the policing response could meet the demand and requirements of policing through the pandemic, as well as meeting business as usual demand. Related issues where relevant are highlighted within these accounts, here in the Narrative Report but also in the body of the accounts.

This section outlines key issues for the Constabulary.

Constabulary – Impact of Exiting the EU

Following the referendum that was held in June 2016, the UK voted to leave the European Union (EU). On 29 March 2017 the then Prime Minister Theresa May formally notified the European Union (EU) of the UK's intention to leave the EU via Article 50 of the EU Constitution. The UK left the EU on 31 January 2021 after this was ratified by the EU.

The Constabulary commenced planning in respect of the impact of leaving the EU after the initial vote to leave. The Constabulary had to plan for a number of eventualities given the uncertainty as to what the impact of exiting the EU would be. As the situation developed, the uncertainty of both the form of any agreement and the future relationship post exit with the EU meant that significant time and resources were invested into contingency planning a number of different scenarios. A Gold group was formed, regular meetings held and all departments engaged in the process. Issues considered included border disruption, food supply, public disorder, the impact to communities, changes in EU law enforcement tools and continuity of medical supply and products.

A back-record conversion process was carried out to ensure that individuals flagged on Europol systems continued to be flagged on Interpol systems for example. In addition, work was completed in conjunction with the Norfolk Resilience Forum so that all multi-agency partners were involved in the planning process throughout. The Norfolk Resilience Forum includes fellow emergency services such as Fire Service, East of England Ambulance Service and Local Councils amongst others. Norfolk Constabulary were the nominated Gold for the Norfolk Resilience Forum.

As a result, there was little impact at the start of 2021 when the UK left the EU. Due to the pandemic, we are still monitoring any future implications. People movement is limited, one of the concerns was over border controls and how these would work having left the EU.

Constabulary - Impact of Covid-19

As a result of the Covid-19 pandemic the Constabulary established a dedicated command model to focus on our response to the disease. This command structure was 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 structure operates a Gold-Silver-Bronze model with Gold Command operating across both forces, and a Silver Commander nominated in each force. A Strategic Gold plan has been written which is implemented by the Silvers at an operational, tactical level. Current work is underway to review the existing structure and reduce it to align with the reducing infection rate and a move to increased alignment with business as usual activity. The retention of the Gold and Silver commanders will ensure oversight of the local and national position and will ensure a mechanism to facilitate the dissemination of information across both organisations from Op Talla (the national policing response) and other Government departments.

Force sickness levels have been continually monitored on a regular 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 have been provided with 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 with the provision of mobile technology to support this approach.

Lateral flow testing has been introduced across the two organisations on a voluntary basis and the forces are now looking at options to also implement a workplace collect scheme for those engaged in specific roles / positions, for example some operational training, to facilitate home testing. 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. Since this time an effective internal test and trace process has been managed by Workplace Health, ensuring transmission risks are reduced as soon as a positive infection is reported.

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 permitted.

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 take place by officers and staff with both offenders and victims have been conducted in other ways, such as via phone, via Skype / Teams or from outside in the garden and alternative methods for securing evidence in statement form have been introduced. These changes have been reviewed and are being considered for future adoption into business as usual processes.

The impact of the restrictions initially resulted in a reduction in crimes being reported to the Constabulary. However, this demand has now returned to what would be described as pre-Covid levels. Concerns remain that a number of people, notably those suffering domestic and sexual abuse in the home, may have been less able to make contact with agencies to report concerns and that as a result, some hidden harm may remain unreported. This remains an area of focus for both the Constabularies and partners and the methods 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 continue.

In addition to 'normal' demand, the force have also had to balance increasing reports relating to Government regulations and legislation and to ensure internal processes are structured to ensure timely and proportionate responses to reported breaches. Such calls have resulted in increased demand within the Contact and Control Room as well as additional workload placed on local teams.

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 the provision of critical support. There was an initial change freeze imposed, with most projects put on hold however these have now been reinstated. Project work has been restarted with demand back to pre-Covid levels and the back office is responding well. For instance, the fleet is still being serviced and the estate maintained for everyday use whilst still adhering to Covid secure measures. Improvements have been made to enable 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 revised deadlines for 2020/21.

When the original lockdown was announced, arrangements were put in 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 ensure physical distancing for those that were required to remain on site. During the period of the various lockdowns additional laptops have been acquired to increase the number of people working from home. Those working from home have been given flexibility to work around their family priorities, including managing children at home due to school closures.

A Modern Workplace Programme has now been established to look at our 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 and Exiting the EU

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 (e.g. vehicles / ICT equipment) manufactured in the far east, which flow west.

Supply chains and lead times are generally re-established again but with countries responding to national Covid-19 surges the impact is still being monitored. Generally, there has been an increase in shipping costs in the last few months due to backlogs in UK ports and a shortage of containers in the correct place for movement of goods.

Suppliers continue to re-evaluate supply chains in order 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 although the impact of this has not yet been realised.

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.

Major estate developments have recommenced in accordance with national guidelines on safe working, but material lead in times have extended and increased financial assurance is sought from our main contractors.

Alongside many other organisations, the constabulary has increased the number of laptops within its asset base. There are potential risks regarding provision of core switches, firewalls, storage and servers during 2021/22 and this situation remains under review. An area of current concern relates to a shortage of chip sets which is impacting lead times for computers which ICT is managing with support of Procurement.

The global shortage of chip sets is also impacting vehicle production with some manufacturers currently slowing or temporarily ceasing production. The impact of this is being monitored as we await the award of the new national call off contracts for vehicles but as yet has not had an impact locally.

There has been some impact upon uniform supply both as a result of Covid-19 and the impact of direct imports from Europe. Some sources of uniform manufacture have been affected by recent increases in recruitment but alternative routes to market have been found to fill the gap. Ballistic protection body armour is imported direct from Germany and has thus been affected by import and delivery charges as a result of exiting the EU. Supplies have not been affected and Procurement is seeking ways to mitigate this issue.

8. Funding Settlement 2021/22 and beyond

The police service has already been through 10 years of austerity. The table 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 approximate inflation of 2% each year.

This shows that, despite recent increases in government funding and precept, the force has absorbed significant amounts of inflation over that time and still has c.£10m less than 2010 in real terms.

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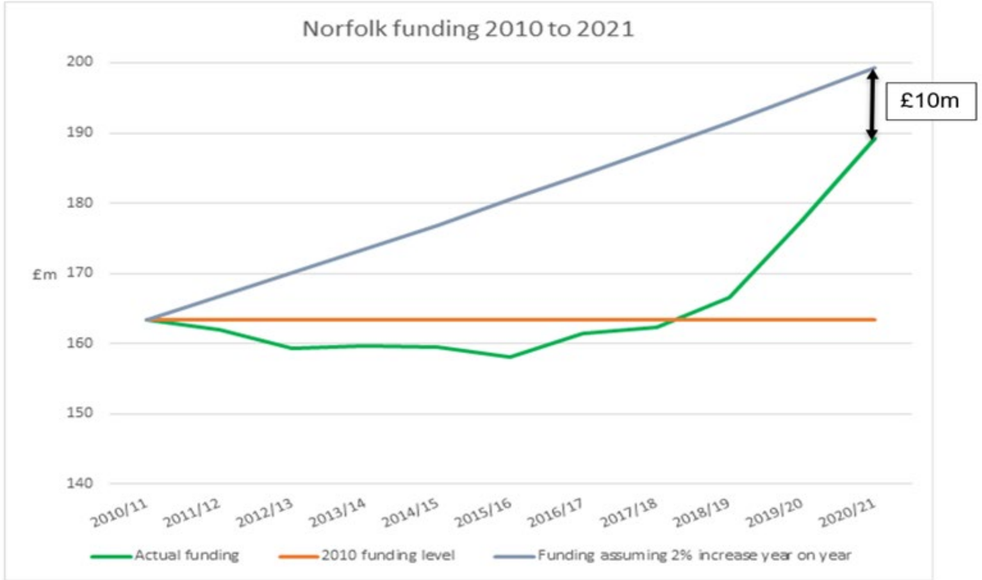

Other statutory and legislative changes have also increased costs to the organisation (e.g. increases to Pensions, National Insurance, and the reduction in the capital grant). As a result, the constabulary has had to absorb additional cost pressures of at least £9.5m per year on top of inflationary pressures.

In response to this, 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 2020/21 Norfolk Constabulary has saved £36m and in the new MTFP period 2021/25 savings of £4m have been identified. This brings total savings to £40m (annually recurring) over the last decade.

In addition, in recent years government has only issued one-year funding settlements for PCCs, and force-by-force provisional detailed grant announcements are normally made in December for funding commencing the following April. This creates a challenging planning environment, that this year has been made much more challenging due to the emergence of Covid-19 that plunged the UK economy into recession.

Despite the economic uncertainty, the Spending Review announcement on 25 November 2020 confirmed the continuation of funding for the recruitment of 20,000 additional officers for England and Wales (the Police Uplift Programme or PUP). Nationally, £415m of funding has been made available for 2021/22 to recruit another 6,000 officers (in addition to the first 6,000 officers recruited in 2020/21). The table below provides a comparison between the 2021/22 grant settlement and 2020/21 figures.

	2020/21	2021/22	Variance	
	£000	£000	£000	%
Police Core Grant	85,476	90,864	5,388	6.3%
Ringfenced Grant (Uplift)	1,879	1,119	(760)	-40.4%
Legacy Council Tax Grants	9,305	9,305	0	0%
Total all Grants	**96,660**	**101,288**	**4,628**	**4.8%**

The government funding for PUP for 2021/22 (approx. £4.6m as shown above) must be spent on the costs of recruiting officers, plus the additional costs that supports recruitment, training, uniform provision, vehicles and the other back office functions that makes the recruitment and retention of officers possible. Therefore, this does not then help fund the additional pressures outlined previously.

Central funding for PUP is for three years and officer numbers cannot be frozen or cut during this period as £1.1m of funding is linked to achieving the Uplift targets. Other government funding has generally been cash-flat in recent years (i.e. inflationary pressures have to be absorbed).
A 3-year CSR is expected. The economic situation as a result of the pandemic is known to be extremely challenging. Central borrowing is forecast to peak at £393.5bn, 19% of GDP. The government will face fiscal challenges and will have to consider the balance of needing to reduce funding government departments, including the Home Office, and / or the need to raise taxes. Therefore, government funding is not guaranteed to be stable over the medium-term.

As part of the settlement, PCCs were given the flexibility to increase the precept by up to £15 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 funding of £2.7m to help the Constabulary maintain current service levels against the rise in demand and complexity of crime.

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 8,000 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 0% precept limits, “cash flat” central grant funding and the loss of the Pension Grant as this is only confirmed for one more year.

Clearly, the country, along with the rest of the world, has been hit with the impact of the Covid-19 pandemic and is moving forward following exiting the EU. The UK is suffering the economic shock of the pandemic and various periods of 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 about to commence the process of the new round of strategic financial planning, and will consult with the PCC throughout this process, and will need 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 2021/22 to 2024/25 and these can be found at the following address:

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

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

Peter Jasper ACMA

Assistant Chief Officer

Comprehensive Income and Expenditure Statement for the Chief Constable of Norfolk Constabulary

for the year ended 31 March 2021

Gross Expenditure 2019/20 £000	Income 2019/20 £000	Net Expenditure 2019/20 £000		Note	Gross Expenditure 2020/21 £000	Income 2020/21 £000	Net Expenditure 2020/21 £000
			Division of service:				
198,066	(19,331)	178,734	Constabulary		206,550	(19,472)	187,078
198,066	**(19,331)**	**178,734**	**Net cost of police services before group funding**		**206,550**	**(19,472)**	**187,078**
	(175,091)	**(175,091)**	**Intra-group funding**	**4**		**(181,730)**	**(181,730)**
198,066	**(194,422)**	**3,643**	**Net cost of police services**		**206,550**	**(201,201)**	**5,349**
			Other operating expenditure:				
			Financing and investment income and expenditure:				
47,092	-	47,092	Pensions interest cost	**13**	39,907	-	39,907
47,092	**-**	**47,092**			**39,907**	**-**	**39,907**
		50,735	**Deficit / (surplus) on the provision of services**				**45,256**
			Other comprehensive income and expenditure:				
		(197,649)	Remeasurements of the net defined benefit liability **(i)**	**13**			214,610
		(197,649)					**214,610**
		(146,914)	**Total comprehensive income and expenditure**				**259,866**

(i) Losses of £215m arose in the year from changes in actuarial assumptions used in assessing the net pension liability, details of these movements can be found in Note 13 to these accounts.

Balance Sheet for the Chief Constable of Norfolk Constabulary as at 31 March 2021

31 March 2020 £000		Notes	31 March 2021 £000
-	**TOTAL ASSETS**		**-**
1,033	Short-term creditors and accruals	**14**	1,592
1,033	**Current liabilities**		1,592
1,769,765	Liability related to defined benefits	**13**	2,029,070
1,769,765	**Long term liabilities**		2,029,070
1,770,798	**TOTAL LIABILITIES**		**2,030,662**
(1,770,798)	**NET LIABILITIES**		**(2,030,662)**
-	Usable reserves	**Page 18**	-
(1,770,798)	Unusable reserves	**Page 18**	(2,030,662)
(1,770,798)	**TOTAL RESERVES**		**(2,030,662)**

These financial statements replace those issued on 13 July 2021.

Peter Jasper ACMA

Assistant Chief Officer

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Movement in Reserves Statement for the Chief Constable of Norfolk Constabulary

Year Ended 31 March 2021	Note	General Fund Balance £000	**Total Usable Reserves £000**	Pension Reserves £000	Comp' Absences Account £000	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2020		**-**	**-**	**(1,769,765)**	**(1,033)**	**(1,770,798)**	**(1,770,798)**
Movement in reserves during 2020/21							
Surplus or (deficit) on provision of services (accounting basis)	**Page 14**	(45,256)	**(45,256)**	-	-	**-**	**(45,256)**
Other comprehensive income and expenditure	**Page 14**	-	**-**	(214,610)	-	**(214,610)**	**(214,610)**
Total comprehensive income and expenditure		**(45,256)**	**(45,256)**	**(214,610)**	**-**	**(214,610)**	**(259,866)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		63,771	**63,771**	(63,771)	-	**(63,771)**	**-**
Contribution to the Police Pension Fund		(19,076)	**(19,076)**	19,076	-	**19,076**	**-**
Movement on the Compensated Absences Account		559	**559**	-	(559)	**(559)**	**-**
Adjustments between accounting basis and funding basis under regulations		**45,254**	**45,254**	**(44,695)**	**(559)**	**(45,254)**	**-**
Net movement in reserves		**-**	**-**	**(259,305)**	**(559)**	**(259,864)**	**(259,864)**
Balance at 31 March 2021		**-**	**-**	**(2,029,070)**	**(1,592)**	**(2,030,662)**	**(2,030,662)**

Year Ended 31 March 2020	Note	General Fund Balance £000	**Total Usable Reserves £000**	Pension Reserves £000	Comp' Absences Account £000	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2019		**-**	**-**	**(1,916,951)**	**(762)**	**(1,917,713)**	**(1,917,713)**
Movement in reserves during 2019/20							
Surplus or (deficit) on provision of services (accounting basis)	**Page 14**	(50,735)	**(50,735)**	-	-	**-**	**(50,735)**
Other comprehensive income and expenditure	**Page 14**	-	**-**	197,649	-	**197,649**	**197,649**
Total comprehensive income and expenditure		**(50,735)**	**(50,735)**	**197,649**	**-**	**197,649**	**146,914**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		71,390	**71,390**	(71,390)	-	**(71,390)**	**-**
Contribution to the Police Pension Fund		(20,927)	**(20,927)**	20,927	-	**20,927**	**-**
Movement on the Compensated Absences Account		271	**271**	-	(271)	**(271)**	**-**
Adjustments between accounting basis and funding basis under regulations		**50,734**	**50,734**	**(50,463)**	**(271)**	**(50,734)**	**-**
Net movement in reserves		**-**	**-**	**147,186**	**(271)**	**146,915**	**146,914**
Balance at 31 March 2020		**-**	**-**	**(1,769,765)**	**(1,033)**	**(1,770,798)**	**(1,770,798)**

Cash Flow Statement for the Chief Constable for Norfolk Constabulary

for the year ended 31 March 2021

2019/20 £000		2020/21 £000
(50,735)	**Net Surplus/(deficit) on the provision of services**	**(45,256)**
	Adjustment for non cash or cash equivalent movements	
50,463	Movements on pension liability	44,695
271	Increase/(decrease) in revenue creditors	559
50,735	**Net adjustment for non cash or cash equivalent movements**	**45,255**
-	**Net increase or (decrease) in cash and cash equivalents**	**-**
-	Cash and cash equivalents at the beginning of the reporting period	-
-	**Cash and cash equivalents at the end of the reporting period**	**-**

Expenditure and Funding Analysis for the Chief Constable of Norfolk Constabulary

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

Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2019/20 £000	Constabulary	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2020/21 £000
			Year Ended 31 March			
154,165	24,569	178,734	Constabulary	162,655	24,423	187,078
(175,091)	-	(175,091)	Intra-group funding	(181,730)	-	(181,730)
(20,927)	**24,569**	**3,643**	**Net cost of police services**	**(19,075)**	**24,423**	**5,348**
20,927	26,165	47,092	Other income and expenditure	19,076	20,831	39,907
-	**50,734**	**50,735**	**Deficit/(surplus) on the provision of services**	**-**	**45,254**	**45,255**
-			Opening general fund balance at 1 April	-		
-			**Closing general fund balance at 31 March**	**-**		

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

Table of Contents

1. Accounting Policies

The Statement of Accounts summarises the Chief Constable's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. Those practices primarily comprise the Code, supported by International Financial Reporting Standards (IFRS).

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

Cost recognition and intra-group adjustment

Refer to Note 4 for further details.

Recognition of working capital

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

Accruals of income and expenditure

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

Debtors and creditors

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

Employee benefits

Benefits payable during employment

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

Termination benefits

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

Post-employment benefits

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

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

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

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

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

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

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

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

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

Discretionary Benefits

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

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

Events after the reporting period

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

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

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

Government grants and contributions

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

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

Amounts recognised as due to the Chief Constable are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet within creditors as government grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

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

Joint operations

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

Private Finance Initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

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

Contingent Liabilities

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

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

Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Chief Constable – these reserves are explained in the following paragraph:

Pension Reserve

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

Value Added Tax

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

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 Note 17 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 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2021, and these IFRSs will be initially adopted as at 1 April 2021. 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 2021/22 financial statements.

Implementation of the new leasing standard, IFRS 16 Leases, had previously been deferred from 2020/21 for one year due to the impact of the Covid-19 global pandemic. However, due to the continued widespread impact of the pandemic, and resulting pressures on council finance teams, the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of this standard for a further year. This will mean the effective date for implementation is now 1 April 2022.

3. Critical Judgements in Applying Accounting Policies

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

- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 2021/22 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 for Norfolk has a significant number of assets including those under Private Finance Initiative (PFI) arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI) and the capital and financing costs of the provision of those assets in the PCC account. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the Chief Constable have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the Chief Constable accounts including the service charges element of the PFI.

- Costs of pension arrangements require estimates assessed by independent qualified actuaries regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.

- In respect of the LGPS police staff pension costs, separate actuarial valuations have been carried out to provide the accounting entries for the

PCC and the Chief Constable in 2020/21 and are reflected in the financial statements.

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

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

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

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

5. Notes to the Expenditure and Funding Analysis

Adjustments between the CIES and the General Fund

Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2019/20 £000	Constabulary	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2020/21 £000
24,298	271	24,569	Constabulary	23,864	559	24,423
24,298	**271**	**24,569**	**Net Cost of Police Services**	**23,864**	**559**	**24,423**
26,165	-	26,165	Other income and expenditure	20,831	-	20,831
50,463	**271**	**50,734**	**Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)**	**44,695**	**559**	**45,254**

Expenditure and Income Analysed by Nature

Total 2019/20 £000		Total 2020/21 £000
	Expenditure	
168,833	Employee benefits expenses	177,454
29,233	Other service expenditure	29,096
47,092	Net pensions interest cost	39,907
245,158	**Total Expenditure**	**246,457**
	Income	
(7,848)	Fees, charges and other service income	(6,974)
(11,483)	Government grants and contributions	(12,498)
(19,331)	**Total Income**	**(19,472)**
225,826	**Deficit/(Surplus) on the Provision of Services before Intra Group funding**	**226,985**
(175,091)	Intra group funding	**(181,730)**
50,735	**Deficit/(Surplus) on the Provision of Services**	**45,256**

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate 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 Chief Constable with expert advice about the assumptions to be applied. The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £233.5m.

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 2020 to 31 March 2021.

7. Post Balance Sheet Events

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

8. Employees' Remuneration

The number of employees and senior police officers whose remuneration exceeded £50k in 2020/21 were as follows:

	Chief Constable	
	2020/21	2019/20
Remuneration		
£50,000 - £54,999	10	6
£55,000 - £59,999	10	14
£60,000 - £64,999	6	2
£65,000 - £69,999	4	7
£70,000 - £74,999	4	3
£75,000 - £79,999	2	2
£80,000 - £84,999	2	2
£85,000 - £89,999	4	4
£90,000 - £94,999	1	2
£95,000 - £99,999	2	-
£105,000 - £109,999	-	2
£110,000 - £114,999	2	-
£120,000 - £124,999	-	2
£125,000 - £129,999	1	-
£130,000 - £135,999	1	-
£135,000 - £139,999	1	-
£170,000 - £174,999	-	1
£180,000 - £184,499	1	-

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

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

	Salaries Fees and Allowances £000	Employers Pension Contributions £000	Benefits in Kind £000	Total £000
2020/21				
Position held				
Chief Constable - Simon Bailey	175	-	7	182
Deputy Chief Constable	138	39	-	177
Assistant Chief Constable	123	37	8	168
Temporary Deputy Chief Constable (to 31.08.20)				
Assistant Chief Constable (from 01.05.20)	130	35	-	165
Temporary Assistant Chief Constable (to 30.04.20)				
Temporary Assistant Chief Constable	106	28	-	134
Assistant Chief Officer	112	18	-	130
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)				
Temporary Deputy Chief Constable (from 24.03.20)	120	36	6	162
Acting 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

During 2020/21, a chief officer from Norfolk Constabulary acted as a Deputy Chief Constable (DCC) until 31.08.20 and an Assistant Chief Constable (ACC) from 01.09.20 in a joint capacity, Suffolk Constabulary contributed 43.2% towards the cost of these posts.

From 01.09.20 a Norfolk Constabulary officer acted as a Temporary ACC in a joint capacity, Suffolk Constabulary contributed 21.6% towards the cost of this post.

Until 25.09.20 a Suffolk Constabulary officer acted as a Temporary ACC in a joint capacity, Norfolk Constabulary contributed 56.8% towards the cost of this post.

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

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

Exit Package Cost Band including Payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages		Total Value of Exit Packages	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£000							£000	£000
0-20	-	1	2	-	2	1	16	3
20-40	-	-	-	1	-	1	-	30
40-60	-	1	-	-	-	1	-	41
80-100	1	-	-	-	1	-	82	-
	1	2	2	1	3	3	97	74

9. Related Parties

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

During 2020/21 there were no material related party transactions involving senior officers of the Constabulary, other than those included under employees' remuneration set out in Note 8 of these financial statements. All Chief Officers have been written to requesting details of any related party transactions and there are no disclosures.

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

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

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

10. External Audit Costs

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

2019/20 £000		2020/21 £000
	The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts	
12	The Chief Constable of Norfolk	12
12		**12**

Neither the 2020/21 nor the 2019/20 audit fees include any additional amount attributable to the Chief Constable in respect of prior year audits.

11. Grant Income

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

	Amount receivable for 20/21 £000	Amount receivable for 19/20 £000
Credited to Services		
Police incentivisation	224	248
Vulnerability Coordination Centre	736	449
Specific grant for police pensions	1,565	1,565
Other specific grants	9,973	9,222
	12,498	**11,483**

Other specific grants credited to services include £1.069m child sexual exploitation grant, £2.7m for Operation Hydrant and £4.2m for a specific Home Office grant.

12. Private Finance Initiatives

Operations and Communications Centre at Wymondham

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

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

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

The payment recognised in the Chief Constable accounts for the services element during 2020/21 was £1,469m (£1,414m in 2019/20). Payments remaining to be made under the PFI contract for services at 31 March 2021 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	OCC Revenue Services £000
Payable in 2021/22	1,506
Payable within two to five years	6,343
Payable within six to ten years	7,877
Payable within eleven to fifteen years	8,912
Payable within sixteen to twenty years	1,348
	25,986

Police Investigation Centres (PIC)

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

Norfolk and Suffolk PCCs have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the six properties located in the two counties – this being Norfolk 58.2% and Suffolk 41.8%. The payment recognised in the Chief Constable accounts is for the net services element which during 2020/21 amounted to £1.409m (£1.329m in 2019/20). This figure includes a credit received from Cambridgeshire Police for £0.523m in respect of services provided at the Kings Lynn PIC.

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 2021 (which exclude any availability / performance deductions or amounts receivable from Cambridgeshire Police), are shown in the following table:

	PIC Revenue Services £000
Payable in 2021/22	2,015
Payable within two to five years	8,432
Payable within six to ten years	12,927
Payable within eleven to fifteen years	15,123
Payable within sixteen to twenty years	15,608
	54,104

13. 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 pensions liabilities with investment assets.

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

b) The Police Pension Scheme (PPS) for police officers who joined before April 2006. The employee contributions are 14.25%-15.05% of salary and maximum benefits are achieved after 30 years' service. Contribution rates are dependent on salary.

c) The New Police Pension Scheme (NPPS) for police officers who either joined from April 2006 or transferred from the PPS. The employee contributions are 11.00%-12.75% of salary and maximum benefits are achieved after 35 years' service. Contribution rates are dependent on salary.

d) The Police Pension 2015 Scheme for police officers, is a Career Average Revalued Earnings (CARE) scheme, for those who either joined from April 2015 or transferred from PPS or NPPS. The employee contributions are 12.44%-13.78% of salary and the Normal Pension Age is 60 although there are protections for eligible officers to retire earlier. Contribution rates are dependent on salary.

All police pension schemes are unfunded defined benefit schemes, meaning that there are no investment assets built up to meet pension liabilities. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2019 as 31% of pensionable pay. A pensions top-up grant from the Home Office is received which funds contributions to a level of 21.3% and in 2020/21 a specific grant of £1.6m was received to part fund the cost of the recent change in contribution rates. The CIES is charged with the costs of injury awards and the capital value of ill-health benefits.

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

Transactions relating to post-employment benefits

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

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

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

	LGPS		Police Pensions Schemes	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
		Restated		Restated
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service costs	12,784	14,968	40,290	42,890
Past service costs	25	73	-	(6,610)
(Gain)/loss from settlement	(140)	-	-	-
Financing and investment income and expenditure				
Net interest expense	2,107	3,012	37,800	44,080
Total post employment benefit charges to the surplus or deficit on the provision of service	**14,776**	**18,053**	**78,090**	**80,360**
Other post employment benefit charged to the CIES				
- Return on plan assets (excluding the amount included in the net interest expense)	(46,139)	19,339	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	4,905	(9,042)	-	(54,070)
- Actuarial gains/losses arising from changes in financial assumptions	100,478	(39,086)	203,280	(66,210)
- Other	(3,009)	(13,934)	(44,905)	(34,646)
	56,235	(42,723)	158,375	(154,926)
Total post employment benefit charged to the CIES	**71,011**	**(24,670)**	**236,465**	**(74,566)**
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**(71,011)**	**24,670**	**(236,465)**	**74,566**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	8,115	7,246	40,055	40,704
Memo				
Retirement benefits payable to pensioners	(5,594)	(5,561)	(48,385)	(49,244)

Assets and liabilities in relation to retirement benefits

	Local Government Pension Scheme		Police Pension Schemes		Total Pension Schemes	
	2020/21	2019/20	2020/21	2019/20		
Present value of liabilities	(414,007)	(295,556)	(1,876,690)	(1,680,280)	(2,290,697)	(1,975,836)
Fair value of plan assets	261,626	206,071	-	-	261,626	206,071
Total net liabilities	**(152,381)**	**(89,485)**	**(1,876,690)**	**(1,680,280)**	**(2,029,071)**	**(1,769,765)**

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Police Pension Schemes	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Opening balance at 1 April	295,556	337,660	1,680,280	1,795,550
Current service cost	12,784	14,968	40,290	42,890
Interest cost	6,892	8,260	37,800	44,080
Contributions by scheme participants	2,466	2,166	8,330	8,540
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	4,905	(9,042)	-	(54,070)
- Actuarial gains/losses arising from changes in financial assumptions	100,478	(39,086)	203,280	(66,210)
- Other	(3,014)	(13,882)	(44,905)	(34,646)
Past service costs	25	73	-	(6,610)
Benefits paid	(5,594)	(5,561)	(48,385)	(49,244)
Effects of settlements	(491)	-	-	-
Closing balance at 31 March	**414,007**	**295,556**	**1,876,690**	**1,680,280**

Reconciliation of fair value of the scheme assets

	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Schemes	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Opening fair value of scheme assets at 1 April	206,071	216,259	-	-
Interest income	4,785	5,248	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	46,139	(19,339)	-	-
- other	(5)	52	-	-
Contributions from employer	8,115	7,246	40,055	40,704
Contributions from employees into the scheme	2,466	2,166	8,330	8,540
Benefits paid	(5,594)	(5,561)	(48,385)	(49,244)
Effects of settlements	(351)	-	-	-
Closing fair value of scheme assets at 31 March	**261,626**	**206,071**	**-**	**-**

The total net pensions liabilities of £2,029m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £2,031m. However, the financial position of the Chief Constable remains sound as the liabilities will be spread over many years as follows:

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

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

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

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

Fair Value of Scheme Assets	31 March 2021 £000	%	31 March 2020 £000 Restated	%
Cash and cash equivalents	**4,081**	**1.56**	**5,452**	**2.65**
Bonds - by sector				
- Government	2,978		2,395	
Sub total bonds	**2,978**	**1.14**	**2,395**	**1.16**
Property - by type				
- UK property	20,804		17,732	
- Overseas property	5,291		4,060	
Sub total property	**26,095**	**9.97**	**21,792**	**10.57**
Private equity - all:	**16,600**	**6.34**	**12,401**	**6.02**
Other investment funds:				
- Equities	116,594		91,420	
- Bonds	77,672		67,145	
- Infrastructure	16,547		5,756	
- Other	963		0	
Sub total other investment funds	**211,775**	**80.95**	**164,321**	**79.74**
Derivatives:				
- Foreign exchange	97		(289)	
- Other	0		0	
Sub total derivatives	**97**	**0.04**	**(289)**	**-0.14**
Total Assets	**261,626**	**100**	**206,071**	**100**

The 31 March 2020 assets have been restated as there is no longer a need to break down equity values by type.

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

	Local Government Pension Scheme 2020/21	Local Government Pension Scheme 2019/20	Police Pension Schemes 2020/21	Police Pension Schemes 2019/20
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	21.9	21.7	22.0	21.9
Women	24.3	23.9	23.7	23.6
Longevity at 65 for future pensioners				
Men	23.2	22.8	23.7	23.6
Women	26.2	25.5	25.3	25.2
Rate of inflation (CPI)	2.80%	1.80%	2.40%	2.00%
Rate of increases in salaries	3.50%	2.50%	4.15%	4.00%
Rate of increase in pensions	2.80%	1.80%	2.40%	2.00%
Rate for discounting scheme liabilities	2.05%	2.30%	2.00%	2.25%
Rate of CARE revaluation	n/a	n/a	3.65%	3.25%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses shown in the table below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all others remain constant. The assumptions of longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the following sensitivity analyses did not change from those used in the previous period.

	Local Government Pension Scheme		Police Pension Schemes	
	Approximate Increase to Employers Liability	Approximate Monetary Amount	Approximate Increase to Employers Liability	Approximate Monetary Amount
	%	£000	%	£000
0.5% decrease in real discount rate	12.0%	50,545	10.0%	183,000
1 year increase in member life expectancy	3-5%	12,636-21,060	3.5%	64,000
0.5% increase in the salary increase rate	1.0%	6,005	1.0%	21,000
0.5% increase in the pension increase rate	10.0%	43,440	9.0%	172,000

Unlawful discrimination

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April 2012 to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

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 yet to be amended, the outcomes 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 and 2020/21 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 full financial burden for remedy.

Valuations

Scheme liabilities will be measured through the pension valuation process, which determines employer and employee contribution rates. The last LGPS valuation took place in 2019 and the police pension valuation took 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.

Impact on the Chief Constable's cash flow

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

Estimated employer's contributions for 2021/22 amount to £8.065m on the LGPS and £40.6m on the Police Schemes. The weighted average duration of the defined benefit obligation for the LGPS is 25 years 2020/21 (25 years, 2019/20) and for the Police Schemes is 21.0 years, 2020/21 (21.0 years, 2019/20).

14. Creditors

The balance of creditors is made up of the following:

	31 March 2021 £000	31 March 2020 £000
Short term creditors:		
Other payables	1,592	1,033
Balance at 31 March	**1,592**	**1,033**

15. Collaborative Arrangements

Local Collaboration

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

The PCCs consider issues of mutual interest and discharge their governance responsibilities in line with the Scheme of Governance and Consent. The agreed shared costs of fully collaborated units that arose during the year was as follows:

	Business Support £000	Justice Services £000	Protective Services £000	County Policing £000	Total £000
2020/21					
Suffolk PCC	17,415	12,025	15,586	1,660	46,686
Norfolk PCC	22,897	15,810	20,493	2,182	61,383
Total shared running costs	**40,312**	**27,835**	**36,079**	**3,842**	**108,069**
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**

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. The agreement has been regularly extended and the current extension runs until 31 March 2023.

The net expenditure incurred by each force is as follows:

	Total 2020/21 £000	Total 2019/20 £000
Operating costs	20,231	21,834
Specific Home Office grant	(4,796)	(4,336)
Other income		-
Total deficit/ (surplus) for the year	**15,435**	**17,498**
Contributions from forces:		
Bedfordshire	(1,746)	(1,997)
Cambridgeshire	(2,224)	(2,567)
Essex	(1,735)	(1,953)
Hertfordshire	(3,159)	(3,607)
Kent	(2,095)	(2,249)
Norfolk	(2,542)	(2,918)
Suffolk	(1,934)	(2,207)
Deficit/ (surplus) for the year	**-**	**-**
Norfolk underspend held in Balance Sheet	**-**	**-**

7Forces Procurement

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

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

As a partnership of seven forces, this created 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 7Forces 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 7Forces 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 2020/21 £000	Total 2019/20 £000
Operating costs	2,469	1,033
Contributions from forces:		
Bedfordshire	205	85
Cambridgeshire	260	110
Hertfordshire	371	154
Essex	537	226
Kent	571	238
Norfolk	298	125
Suffolk	227	94
	2,469	**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 £50k was payable to West Yorkshire PCC in respect of the NPAS service provided.

16. Contingent Liabilities

MMI Ltd

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

Capped Overtime Claims

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

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

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

Forensic Service Uncertainty

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

Unlawful Discrimination – Pension Fund Regulations

The Chief Constable of Norfolk currently has 64 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 claims against the Police Pension Scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management meeting was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way. Liabilities reflecting the judgement have therefore been provided for in these financial statements.

However, in addition to the remedy, claimants have lodged claims for compensation for injury to feelings. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful. As a result, no liability is recognised in the accounts.

17. 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. Due to the impact of the pandemic, and the risks associated with the financial impact in 2020/21 and on future years funding, the constabulary took prudent actions to control spending and protect reserves. This response is providing a proportionate level of reserves to absorb any funding constraints that may arise in the expected 3-year Comprehensive Spending Review.

As a last resort, the PCC maintains a General Reserve of £4.475m, has increased the Budget Support Reserve to £3.378m and has an Invest to Save Reserve of £2.125m that in extremis would be used to manage the financial risks of major incidents. However, through the prudent action taken to control spending in-year as a response to the pandemic, and due to the additional funding made available by the Home Office the Group recorded an outturn underspend of £0.685m.

Government has now established a roadmap to ease restrictions over a period of time, and policing will adapt to what needs to be delivered through these changes. At this point, the constabulary has moved into being very close to its business as usual model and is not incurring any significant costs in respect of the pandemic.

A high-level scenario planning exercise has been completed and compared against our current MTFP assumptions. The budget gap for 2022/23 ranges between reasonable pragmatic case (£0.567) to worst case (£3.851m) given a range of assumptions on government funding, precept decisions, tax base growth and collection fund deficits. 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 £14.169m. This still remains well 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 of authorisation of the financial statements 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

2019/20 £000	2019/20 £000		2020/21 £000	2020/21 £000
		Contributions receivable		
		Employer		
	17,764	Normal	18,975	
	399	Early retirements	255	
18,162				19,229
		Members		
	7,682	Normal	8,267	
7,682				8,267
		Transfers in		
	900	Individual transfers in from other schemes	160	
900				160
		Benefits payable		
	(38,456)	Pensions	(39,687)	
	(8,708)	Commutations and lump sum retirement benefits	(6,946)	
	(490)	Other	(79)	
(47,653)				(46,712)
		Payments to and on account of leavers		
	(18)	Refunds on contributions	(20)	
(18)				(20)
(20,927)		**Net amount payable for the year before contribution from the Police General Fund**		**(19,076)**
20,927		**Contribution from the Police General Fund**		**19,076**
-		**Net balance receivable for the year**		**-**

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 2020/21 a specific grant of £1.6m was received to part fund the cost of this change in contribution rates. The Constabulary funds the resulting balance, which amounted to £4.4m in 2020/21 (2019/20 - £4.0m).

Net Assets and Liabilities

2019/20 £000		2020/21 £000
	Net current assets	
-	Net balance receivable from the Police General Fund	-
-	**Net Current Assets at 31 March**	**-**

Glossary of terms

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

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

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

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

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

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Contingent liability
A contingent liability is either:

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

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

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

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

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

Outturn
The actual amount spent in the financial year.

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

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

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

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

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

Precept
The proportion of the budget raised from council tax.

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

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

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

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

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

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit credit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

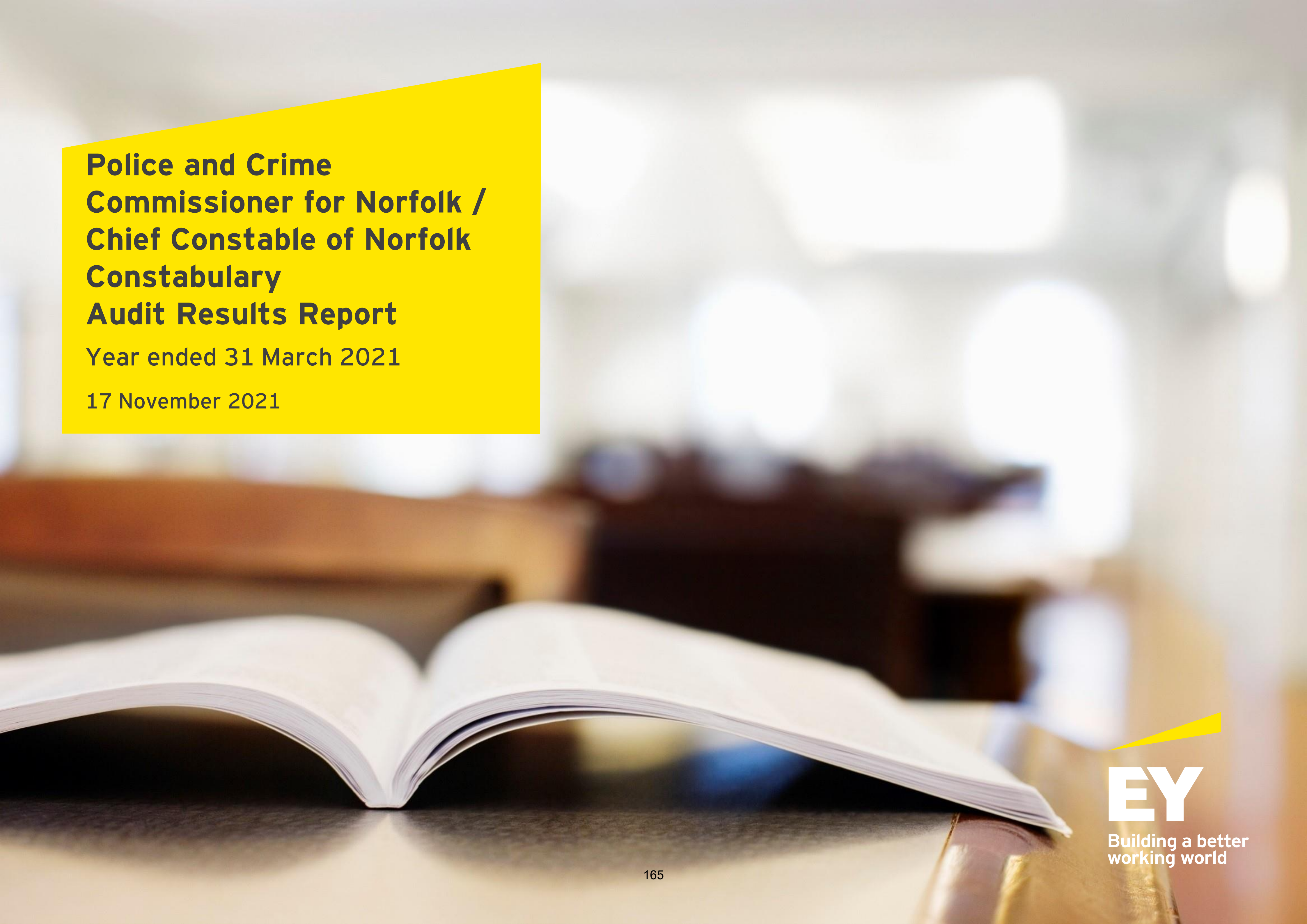
Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to affect the settlement. Settlements include:

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.

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.



Police and Crime Commissioner for Norfolk / Chief Constable of Norfolk Constabulary Audit Results Report

Year ended 31 March 2021

17 November 2021

EY
Building a better working world

Police Crime Commissioner for Norfolk and the Chief Constable of Norfolk Constabulary
Jubilee House
Falconers Close
Wymondham
Norfolk NR18 0WW

17 November 2021

Dear Giles and Paul,

2020/21 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of Joint Audit Committee.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Police and Crime Commissioner for Norfolk (PCC) and Chief Constable of Norfolk Constabulary (CC)'s accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on Value for Money arrangements.

This report is intended solely for the information and use of the Joint Audit Committee and senior management for your respective officers. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit Committee meeting on the 29 November 2021.

Yours faithfully

MARK HODGSON

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

Contents

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

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

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

01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Plan, dated 22 March 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes in materiality:

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to:

- Group - £5.522 million (Provisional Audit Plan - £5.373 million);
- Chief Constable - £5.025 million (Provisional Audit Plan - £5.008 million); and
- Police and Crime Commissioner - £2.509 million (Provisional Audit Plan - £2.440 million).

This results in updated performance materiality at 75% of overall materiality, to:

- Group - £4.142 million (Provisional Audit Plan - £4.030 million);
- Chief Constable - £3.769 million (Provisional Audit Plan - £3.756 million); and
- Police and Crime Commissioner - £1.882 million (Provisional Audit Plan - £1.830 million).

We have updated our threshold for reporting misstatements, set at 5% of our overall Planning Materiality to:

- Group - £0.276 million (Provisional Audit Plan - £0.269 million);
- Chief Constable - £0.251 million (Provisional Audit Plan - £0.250 million); and
- Police and Crime Commissioner - £0.125 million (Provisional Audit Plan - £0.122 million).

Changes to reporting timescales

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

Additional audit procedures as a result of Covid-19

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

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

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

Executive Summary

Status of the audit

Our audit work in respect of the Norfolk PCC/CC's audit opinion is substantially complete.

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

- Property, Plant & Equipment – We are awaiting responses to 3 outstanding queries in relation the floor area for one asset and the refurbishment cost schedule for two assets; and
- IAS 19 Pension Liability in respect of the Local Government Pension Scheme.

Closing Procedures:

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

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

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the PCC/CC has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the PCC/CC a commentary against specified reporting criteria (see below) on the arrangements the PCC/CC has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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

Status of the audit - Value for Money

In our Audit Plan Addendum dated 13 July 2021, we reported that we had completed our Value for Money (VFM) risk assessment and had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment at this stage of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

As a result, we have completed our planned VFM procedures and have no matters to report by exception in the Auditor's Report (see Section 3).

We plan to issue the VFM commentary by the end of December 2021 as part of issuing the Auditor's Annual Report. Our provisional wording for the VFM Commentary is included at Appendix E of this report.

Executive Summary

Audit differences

<u>Uncorrected differences</u>

At the date of issuing this report, there are no uncorrected audit differences identified as part of our audit at the date of this report.

<u>Corrected differences</u>

At the date of issuing this report, there are corrected audit differences arising from our audit, which we need to bring to your attention:

1. Local Government Pension Scheme -A difference in relation to the Pension Liability due to changes to the Investment valuations at Norfolk Pension Fund. This has resulted in an overstatement of the pension liability by £2.479 million.
2. A difference in relation to the PCC/CC's share in Council Tax Debtors and Creditors, both were understated by £0.129 million.

We also identified a limited number of disclosure amendments in the draft financial statement which management have chosen to adjust. We have judged that these adjustments do not warrant flagging to the Joint Audit Committee in this report.

For further details see Section 4.

Until we have concluded on the outstanding work, it is possible that further adjustments will also need to be reported. We will verbally update the Joint Audit Committee at the upcoming meeting.

Executive Summary

Areas of audit focus

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

Management Override: Misstatements due to fraud or error

- *We have completed our testing and have no matters to report.*

Management Override: Inappropriate capitalisation of revenue expenditure

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

Inherent Risk: Valuation of Property, Plant and Equipment

- *At the date of issuing this report, our work in this area is still to be completed. We will update the Committee on our findings once the work on the remaining outstanding items is concluded. We have no matters to report to date.*

Inherent Risk: Valuation of the Pension Liabilities (LGPS and Police Pension Fund)

- *We have completed our work in this area and have matters to report as set out on pages 15 and 16.*

Inherent Risk: Private Finance Initiative (PFI)

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

Area of Focus: Going Concern – compliance with ISA570

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

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistent with our knowledge of Norfolk Police. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance that the PCC/CC would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Please refer to Section 8 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

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

In order to address this risk we undertook the following audit procedures:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Documented our understanding the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Reviewed the accounting estimates for evidence of management bias.
- Evaluated the business rationale for significant unusual transactions

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

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

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have not identified any inappropriate journal entries or other adjustments to the financial statements.

Significant risk

Risk of fraud in revenue and expenditure recognition – specifically in inappropriate capitalise of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For the Group and PCC single entity, we consider that the risk could specifically manifest itself in the inappropriate capitalisation of revenue expenditure i.e. not recognising expenditure in the Comprehensive Income and Expenditure Statement (CIES) and financing the spend from capital.

This risk has been associated to the following testing areas:

- Balance Sheet - Property, Plant and Equipment – Additions (Group and PCC)
- Comprehensive Income and Expenditure Statement (Group and PCC)

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

In order to address this risk we undertook the following audit procedures:

- Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes; and
- Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature.

What are our conclusions?

Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.

Our sample testing did not identify any revenue items that were incorrectly classified.

Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Inherent risk

Valuation of Property, Plant and Equipment

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represents significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The PCC will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment.

As the PCC's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

In order to address this risk we undertook the following audit procedures:

- Considered the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation;
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

At the date of issuing this report, we are still concluding our work in this area, as we are waiting for responses to three outstanding audit queries.

We will provide an update to the Joint Audit Committee with our findings once the work is finalised.

However, we can report that:

- *We* did not identify any issues with the PCC/CC's valuer, their scoping of work, professional capabilities or results of their work.
- Our sample testing of key asset information used in the valuations did not identify any issues.
- Our testing of assets not subject to valuation in 2020/21 did not identify any material differences.
- Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly.
- No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.

Inherent risk

Valuation of the Pension Liabilities (LGPS and Police Pension Fund)

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council. The PCC must also do similar in respect of the Police Pension Fund.

The Group and CC pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets of the PCC and CC. At 31 March 2020 this totalled £1.6 million and £1,769.8 million respectively.

The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuary to the Norfolk Pension Fund and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

In order to address this risk we undertook the following audit procedures:

- Liaised with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the PCC/CC;
- Assessed the work of the LGPS Pension Fund actuary (Hymans Robertson) and the Police Pension Fund actuary (GAD) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Group and CC's financial statements in relation to IAS19, considering Fund assets and the PCC/CC's liability.

What are our conclusions?

We have agreed the PCC/CC's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts.

We were informed by the Pension Fund auditor that Investment Valuations within the Norfolk LG Pension Fund were understated by £43.187 million. Management obtained a revised IAS19 report from the Pension Fund Actuary and has amended the accounts for the updated information, reducing the net liability by £2.479 million. This is detailed in Section 4.

We have reviewed the assessment of the actuary by PwC and EY Pensions and have undertaken the work required.

(Continued over page)

Areas of Audit Focus

Inherent risk - Valuation of the Pension Liabilities (LGPS and Police Pension Fund) Continued

What are our conclusions?

Police Pension Fund

PwC review of IAS19 reporting raised an issue relating to CPI assumptions set by GAD that it was not based on market-observable data which is a requirement of IAS19. PwC stated that the resulting CPI assumption, which was 2.4% pa, was below the expected range by 0.1% pa at 31 March 2021.

We have therefore engaged our experts, EY Pension Advisory (EYPA), to review CPI assumptions used by GAD and to ascertain whether the issue would have a material difference on the pension liability. EYPA found that the CPI inflation assumption used by GAD was overly optimistic and the methodology used to derive the assumption was not robust and was inconsistent with the accounting standards. Nevertheless, there was sufficient flexibility in other assumptions (mainly the discount rate) to offset this optimism and hence the figures for the plan's liabilities for the IAS19 disclosures for the scheme were acceptable relative to the prior year.

In light of the finding, we have included a recommendation to management in Section 07.

Local Government Pension Fund

The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.

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

Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance.

We have also performed an independent point estimate procedures to ensure the validity of the Actuary's model based on data received from the PCC/CC and have concluded that the Chief Constable's Pension Liability falls within a reasonable range, thereby giving us assurance over the Actuary's estimation approach.

We are yet to complete the same procedure for the Police & Crime Commissioner's Pension Liability. The impact of this additional procedure may impact on our timeline for issuing the audit opinion. We will provide the Joint Audit Committee with a verbal update on progress at the 29 November meeting.

Inherent risk

Private Finance Initiative (PFI) – inherent risk

What is the risk?

The PCC and CC disclose two PFI contracts within their financial statements for the use of Jubilee House, Operations and Communications Centre (OCC) and the use of six Police Investigation Centres (PIC) shared with the Police and Crime Commissioner for Suffolk. At 31 March 2020, the PFI liability associated with the OCC and PIC were £24.5 million and £33.3 million respectively.

The liability and payments for services are dependent upon assumptions within the accounting models underpinning the PFI scheme. As such Management is required to apply estimation techniques to support the disclosures within the financial statements.

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

In order to address this risk we undertook the following audit procedures:

- Agreed that no significant changes had been made to the PFI contracts or PFI models from prior year;
- Agreed the historic inputs in the accounting models had not changed from prior year; and
- Agreed the disclosures in financial statements are consistent with the accounting models.

What are our conclusions?

Our work concludes that the PFI scheme has been accounted for appropriately within the accounts.

Areas of Audit Focus

Going concern

Management have disclosed that the financial statements are prepared on a going concern basis. We have obtained and audited management's going concern assessment, and reviewed the Statement of Accounting Policies where the going concern disclosure is included in the accounts to provide the details of that assessment and management's conclusion. This has been informed by management's actual reserves position as at the 31 March 2021, and their forecast reserves position during the going concern period.

We focused on management's assessment of the going concern assumptions in preparing the PCC/CC's financial statements. We also reviewed management's cash flow forecasts to determine whether expected income appeared reasonable and whether it was sufficient to enable the PCC/CC continue its operations.

Our procedures around Going Concern included:

- Reviewing for any bias in the PCC/CC's Going Concern assessment, and whether it was consistent with the accounts.
- Reviewing the financial modelling and forecasts prepared by the PCC/CC.
- Considering key assumptions applied in the PCC/CC's forecasts, and whether these were reasonable and in line with our expectations.
- Ensuring that an appropriate Going Concern disclosure has been made within the financial statements.

We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce the disclosures included within the draft financial statements.

We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the Balance Sheet date.

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty.

Our procedures around estimates included:

- Identifying key estimates within the financial statements and assessing the level of complexity, uncertainty and judgement of these estimates
- Obtaining and documenting our understanding of key aspects of estimation processes
- Documenting our understanding of the methods, models and assumptions used for significant estimates
- Where applicable, considering the use of internal specialists and engaging our own specialists where appropriate

We have not identified any issues in respect of estimates included within the financial statements, other than reported elsewhere in this report.

03 Audit Report

DRAFT

Draft audit report – Police and Crime Commissioner for Norfolk and Group

Our proposed opinion on the financial statements

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 2021 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;
- Police and Crime Commissioner and Group Expenditure and Funding Analysis and related notes 1 to 32; and
- Police Pension Fund Account 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 2020/21.

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 2021 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 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the 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.

DRAFT

Our proposed opinion on the financial statements

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the police and crime commissioner's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the 'Group and PCC Statement of Accounts 31 March 2021', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the 'Group and PCC Statement of Accounts 31 March 2021'.

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

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

We have nothing to report in this regard.

Audit Report – continued

Our proposed opinion on the financial statements

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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021

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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Audit Report – continued

Our proposed opinion on the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015,
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Police and Crime Commissioner has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how the Police and Crime Commissioner is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, Internal Audit, those charged with governance, the Joint Audit Committee and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through our reading of the Police and Crime Commissioner's committee minutes, policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

Audit Report - continued

Our proposed opinion on the financial statements

We assessed the susceptibility of the Police and Crime Commissioner's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Police and Crime Commissioner's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was appropriate.
To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.
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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Police and Crime Commissioner had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria 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 2021.

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.
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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

DRAFT

Draft audit report – Chief Constable of Norfolk

Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF NORFOLK

Opinion

We have audited the financial statements of the Chief Constable of Norfolk for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Norfolk Movement in Reserves Statement;
- Chief Constable of Norfolk Comprehensive Income and Expenditure Statement;
- Chief Constable of Norfolk Balance Sheet;
- Chief Constable of Norfolk Cash Flow Statement
- Chief Constable of Norfolk Expenditure and Funding Analysis and the related notes 1 to 17; and
- Chief Constable of Norfolk 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 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Norfolk as at 31 March 2021 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 2020/21.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

DRAFT

Our proposed opinion on the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the chief constable's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the 'Statement of Accounts 31 March 2021', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the 'Statement of Accounts 31 March 2021'.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report 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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Audit Report – continued

Our proposed opinion on the financial statements

Responsibilities 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable'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 Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

The Chief Constable 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.

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

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

Audit Report – continued

Our proposed opinion on the financial statements

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015,
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Chief Constable has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how the Chief Constable is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Management, the Head of Internal Audit, those charged with governance, the Joint Audit Committee and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through reading the Chief Constable's committee minutes, policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Chief Constable's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was appropriate.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

Audit Report – continued

Our proposed opinion on the 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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Chief Constable had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 Chief Constable 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 Chief Constable of Norfolk has made 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 Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Chief Constable's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

04 Audit Differences

Audit Differences

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

Summary of unadjusted differences

There are currently no unadjusted audit differences arising from our work.

Summary of adjusted differences

We highlight misstatement greater than £01.25 million (Group/PCC/CC) which have been corrected by management that were identified during the course of our audit.

Our audit identified two audit differences, which we need to bring to your attention:

1. Local Government Pension Scheme - We were informed by the Norfolk Pension Fund auditor that Investment Valuations within the Local Government Pension Fund were understated by £43.187 million. Management has obtained a revised IAS19 report from the Pension Fund actuary and has amended the accounts for the updated information. This has reduced the Net Pension Liability on the Balance Sheet by £2.479 million.
2. Council Tax - The PCC/CC is a precepting body and is reliant upon the billing authorities to provide it with the relevant information in relation to the PCC/CC's share in Council Tax Debtors and Creditors for the inclusions within its financial statements. Updated information became available during our audit, which led to an increase of the PCC/CC's share of Council Tax Debtors and Council Tax Creditors by £0.129 million.

<u>Disclosure Differences</u>

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

05 Value for Money

Value for money

PCC/CC's responsibilities for value for money (VFM)

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

As part of the material published with its financial statements, the PCC/CC is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the PCC/CC tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We issued an Audit Plan Addendum dated 13 July 2021 which confirmed we had concluded our detailed VFM planning and risk assessment and that we had not identify any significant weaknesses in the PCC/CC's arrangements.

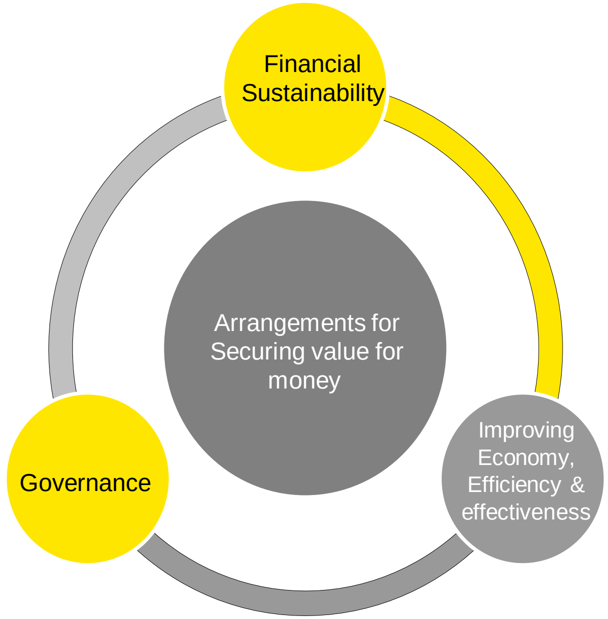
We have now revisited our procedures during the completion of our audit of the financial statements, and confirm that we have not identified any risks of significant weaknesses against the three reporting criteria we are required to consider under the NAO's 2020 Code.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

We set out our provisional commentary on the PCC/CC's VFM arrangements in Appendix E to this report.

We will formally issue this commentary within our Auditor's Annual Report, which we plan to issue by the end of December 2021.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements. Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements, subject to completion of our final audit procedures on the Narrative Report. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. We have reviewed the Annual Governance Statement and confirm it is consistent with our knowledge of Norfolk Police and with other information from our audit of the financial statements. We have no other matters to report.

Whole of Government Accounts
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report, the NAO have not issued their guidance and requirements to auditors. However, based on prior year guidance the PCC/CC would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

We did not receive any correspondence or objections from any members of the public.

Other matters

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

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

We have reported in respect of going concern earlier in this report on page 18. We have no other matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

We have identified scope for improvements in one area of the accounts closedown procedures:

Valuation of Police Pension Scheme Liability

As outlined on page 14, while our pension work found that the CPI assumption may be acceptable in the overall context of the Police Pension Fund Liability due to sufficient flexibility in other assumptions, we did not find the methodology to be acceptable or consistent with the accounting standards, and therefore recommend that the assumptions and methodology be monitored going forward to ensure they are reasonable and consistent with the accounting standard requirements.

Recommendation: Consider the processes currently used to support the valuation of Police Pension Scheme Liability, including a management review of the actuary report to determine if the assumptions and estimates included within the Actuary report are reasonable and consistent with the accounting standard requirements.

08 Independence

Relationships, services and related threats and safeguards

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

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

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Joint Audit Committee.

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

Other communications

EY Transparency Report 2020

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

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

EY UK Transparency Report 2020 | EY UK

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee – Code work	37,595	37,595	37,595
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	28,325	28,325	28,325
Revised Proposed Scale Fee	**65,920**	**65,920**	**65,920**
Additional work:			
2019/20 Additional Procedures required and as reported within the Annual Audit Letter (Note 2)	-	-	13,893
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of: • New NAO Code for VFM • New requirements for Estimates – under ISA540	Note 3	-	
Total fees	**TBC**	**65,920**	**79,813**

All fees exclude VAT

Note 1 - For 2019/20 we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase has been discussed with management and is with PSAA Ltd for determination. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and is subject to approval by PSAA Ltd.

Note 2 - The 2019/20 Additional Procedures fee was reported in our Annual Audit Letter. The fee has been discussed with Management and is subject to formal approval by PSAA Ltd.

Note 3 - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to the new NAO Code for Value For Money and the enhances considerations and procedures requires in respect of estimates under ISA540. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Auditor's Annual Report.

08 Appendices

Appendix A

Required communications with the Joint Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Joint Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan – 22 March 2021 – Joint Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan – 22 March 2021 – Joint Audit Committee
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Audit Results Report - 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report - 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - 17 November 2021 presented to the Joint Audit Committee on 29 November 2021

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to 'those charged with governance's' responsibilities.	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence	Provisional Audit Plan – 22 March 2021 presented to the Joint Audit Committee Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Provisional Audit Plan – 22 March 2021 presented to the Joint Audit Committee Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 17 November 2021 presented to the Joint Audit Committee on 29 November 2021

Outstanding matters

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

Item	Actions to resolve	Responsibility
Property, Plant & Equipment	Receipt of responses to 3 outstanding audit queries.	Management
IAS 19 – Pension Liability	Completion of point estimate consideration for the Police & Crime Commissioner's IAS 19 Liability	EY
Whole of government accounts procedures	NAO instructions to be reviewed and reviewed	EY and management
Subsequent events procedures	Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 3.

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

EY
Building a better working world

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ey.com

INVESTOR IN PEOPLE

Jill Penn
Chief Finance Officer
Office of the Police & Crime Commissioner for Norfolk

Peter Jasper
Chief Finance Officer to the Chief Constable,
Norfolk Police Headquarters.

17 November 2021

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Jill & Peter,

Office of the Police & Crime Commissioner for Norfolk / Chief Constable for Norfolk – 2020/21 financial year- Request for a letter of representation

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

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

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

General statement

That the letter of representations is provided in connection with our audit of the financial statements of the Office of the Police & Crime Commissioner for Norfolk (PCC) and Group / Chief Constable (CC) for Norfolk ("the PCC/CC") for the year ended 31 March 2021.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the PCC and CC as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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Building a better working world

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

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

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts & Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. That you acknowledge as members of management of the PCC/CC, your responsibility for the fair presentation of the PCC/CC's financial statements. You believe the PCC/CC's financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the PCC/CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. You have approved the PCC/CC financial statements.
3. That the significant accounting policies adopted in the preparation of the Group/PCC and CC financial statements are appropriately described in the Group/PCC and CC financial statements.
4. As members of management of the PCC/CC, you believe that the PCC/CC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

1. That you acknowledge that you are responsible to determine that PCC/CC's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

3. That you have disclosed to us the results of our assessment of the risk that the PCC/CC's financial statements may be materially misstated as a result of fraud.

4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the PCC/CC (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the PCC/CC's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the PCC/CC's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

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

2. That all material transactions have been recorded in the accounting records and are reflected in the PCC/CC's financial statements, including those related to the COVID-19 pandemic.

3. That you have made available to us all minutes of the meetings of the PCC/CC and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 November 2021.

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

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

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

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

D. Liabilities and Contingencies

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

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

3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the PCC/CC's financial statements (please specify the Notes) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the PCC/CC's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the respective PCC and CC and Group Statement of Accounts 2020/21.

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

G. Accounting Estimates

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

2. In respect of accounting estimates recognised or disclosed in the financial statements:

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the PCC/CC.

I. Going Concern

1. That the PCC/CC has prepared the financial statements on a going concern basis and that Note X (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the PCC/CC's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the PCC/CC has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the PCC/CC's assets, nor has any asset been pledged as collateral. All assets to which the PCC/CC has satisfactory title appear in the balance sheet(s).

K. Reserves

1. You have properly recorded or disclosed in the PCC/CC's financial statements the useable and unusable reserves.

L. Valuation of Property, Plant and Equipment Assets

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

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the PCC/CC's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the PCC/CC's financial statements due to subsequent events, including due to the Covid-19 pandemic.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the PCC/CC's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the PCC/CC's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

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6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the PCC/CC's financial statements due to subsequent events, including due to the Covid-19 Pandemic.

N. Group audits

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

P. Specific Representations

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

I would be grateful if you could provide a letter of representation which covers the Group, PCC and CC, which is appropriately signed and dated (by both the respective s151 officer, the PCC and the CC) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

Appendix D

Implementation of IFRS 16 Leases

In previous reports to the Joint Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the PCC/CC the until 1 April 2022. However, officers should be acting now to assess the PCC/CC's leasing positions and secure the required information to ensure the PCC/CC will be fully compliant with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: ▸ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▸ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▸ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The PCC/CC needs to agree on certain policy choices. In particular: ▸ Whether to adopt a portfolio approach ▸ What low value threshold to set and agree with auditors ▸ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▸ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the PCC/CC is lessee; and potentially for sub-leases, where the PCC/CC is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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Financial Sustainability

For 2020/21, the PCC/CC has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The PCC/CC uses the Outcome Based Budgeting (OBB) approach which is a method to align budgets to demand, performance, outcomes and priorities, and it analyses the spending of the entire Force. This information is then lined up against priorities and demands of the Force Management Statement (FMS) and the PCC's Police and Crime Plan. Heads of Department present savings and investment proposals, and these are modelled against the impact on budgets and outcomes, which are reviewed by a Joint Chief Officer Panel against the OBB principles. The process concluded with agreement on Norfolk only budgets (including OPCCN budgets), the joint budgets with Suffolk Constabulary, costs and savings arising from the process to be included in the spending plan.
The Change Programme, run by the Constabulary through collaboration with Suffolk Constabulary, is sustained over the medium-term to ensure that savings are achieved in a timely manner and that annual budgets are balanced. The annual budget proposals are made in the context of a rolling four-year strategic and financial planning cycle.

2. How the body plans to bridge its funding gaps and identifies achievable savings

The PCC/CC has generally managed its demand led pressures within its budget year-on-year, and where appropriate has used Earmarked Reserves to meet additional demands and unbudgeted costs. The PCC/CC has a proven track record of delivering efficiency savings. The PCC approved the 2020/21 Revenue budget in February 2020, which included a planned use of reserves of £3.249 million and included a planned savings requirement of £1.332 million. The revenue outturn for the year was an underspend of £0.689 million as shown in the 'Revenue and Capital Outturn Report 2020/21', primarily due to an underspend in the Chief Constable operating spending as a result of lower than budgeted officer and staff costs and a corporate underspend as a result of the in-year savings exercises. The savings target of £1.332 million was also achieved as a result of the in-year decisions made.

3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The PCC has a Police and Crime Plan setting out the strategic objectives and priorities, providing strategic direction for policing and how it will deliver its statutory responsibilities. The impact of the annual budget and funding of future years are considered using the Outcome Based Budgeting (OBB) approach to align budget against the demands and priorities, ensuring that the medium term financial strategy is lined up with the Police and Crime Plan. The annual budget decision takes into consideration the anticipated funding from government and other sources, and balances the expenditure needs of the policing service against the level of local taxation raised through the council tax precept. This decision forms part of a strategy which recognises the changing demands on policing over the medium and long-term, which is set out within the Medium Term Financial Plan.

Appendix E – Provisional VFM Commentary (continued)

Financial Sustainability (continued)

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The CIPFA Financial Management Code of Practice (FMCP) requires the PCC and CC to identify and agree a Medium Term Financial Plan (MFTP) which includes funding and spending plans for both revenue and capital, and that it should aligned with the Police and Crime Plan. The MTFP includes the Capital Programme, the Treasury Management Strategy and the Capital Strategy which is also supported by Estates Strategy, the ICT Strategy and the Transport Strategy. All of these strategies are underpinned by the Scheme of Governance and Consent which includes the Financial Regulations and Contract Standing Orders.

Norfolk and Suffolk Constabularies have been collaborating for a decade and the Scheme of Governance and Consent adopted in both forces are aligned, and in some instances identical where joint working arrangements are in place. The two forces have been running a change programme to deliver savings through collaboration, which involves a joint financial planning process between the two Constabularies. In addition, the Regional collaboration across Seven Forces also sees a consistent approach to Contract Standing Orders which apply to all procurements being carried out within the Seven Force arena.

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The PCC approves the Constabulary's budget and Medium Term Financial Plan (MTFP) on an annual basis and hold the Chief Constable to account for the management and delivery of the budget, including through in-year financial performance monitoring, and the delivery of the overall strategy via the PCC Accountability Meeting (PAM) (these meetings are now known as PCC Accountability Meeting from May 2021). The meeting is attended by the PCC, CC and members of the Chief Officer Team and Senior Staff as appropriate to the business. The PCC has oversight of the Constabulary's financial risks and delivery of the planned savings requirement. At each meeting an overview of performance against the Police and Crime Plan themes are provided, alongside the budget monitoring report where delivery against the budget would be considered and challenged as appropriate.

Appendix E – Provisional VFM Commentary (continued)

Governance

For 2020/21, the PCC/CC has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;

Each Operational Command team and Department maintains a risk register of all the identified risks to the achievement of the operational objectives. There is a joint risk management process for Norfolk and Suffolk Constabularies where risk is dealt with by mitigation and/or escalation to the appropriate level. The identified risks are regularly monitored through the governance arrangements to the Joint Chief Officer Team (JOCT) and, where appropriate, to the Offices of the respective Police and Crime Commissioners (OPCC).

Where the risks have an organisation wide impact or where they cannot satisfactorily be managed at Departmental level, they will become strategic risks which will be taken into the Strategic Risk Register which is owned by CC and PCC, with measures taken to manage them.

The risk assessed are wider than just financial but also includes operational and organisational risks. The Constabulary assesses risks on a matrix of likelihood and impact scoring by using a ‘traffic light’ system and defines tolerance level of risks for its activities.

The Strategic Risk Register is reviewed by the Joint Audit Committee on a quarterly basis, who challenge the risks included and gain assurance that the right risks and mitigations are included. It also reviews arrangements for assessment of fraud risks and monitors the effectiveness of the counter-fraud strategy and actions.

Additionally, the OPCC has its own Risk Management Strategy in place and produce their own Strategic Risk Register which is reviewed through the OPCC meeting structure, including Strategic Governance Board and Estates Governance Board.

The PCC/CC has an Internal Audit service, outsourced to a third party - TIAA, to help gain assurance over the effectiveness of internal controls and to provide assurance against other identified risk areas.

The Constabulary management is predominantly responsible for responding to the Internal Audit findings in a timely manner and with appropriate challenge from the Joint Audit Committee.

2. How the body approaches and carries out its annual budget setting process

The PCC is required to set a balanced budget in line with statutory requirements. The PCC consults with the CC in planning the overall annual budget, taking into consideration the funding streams, the demands and pressures on the policing service and the priorities set out in the Police and Crime Plan, and will make a decision on the level of the proposed precept/council tax as part of the budget setting process.

The PCC also has a statutory duty to obtain the views of the local community, key stakeholders and public sector bodies on the proposed expenditure (including capital expenditure) in the financial year ahead of the financial year to which the proposed expenditure relates. The 2020/21 budget consultation took form of a survey, both online and in hard copy form, so that the public can submit their views. All comments received from the consultation process were considered by the PCC to help inform the 2020/21 policing budget decisions. The 2020/21 budget proposals included net revenue budget of £174.682 million with an increase of 3.95% Council Tax increase, which was approved by the Police and Crime Panel on the 4 February 2020.

Appendix E – Provisional VFM Commentary (continued)

Governance (continued)

3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;

The PCC's Chief Finance Officer and the CC's Chief Finance Officer (CFO) oversee the adoption and implementation of the Financial Regulations including the regulations relating to budgetary control, financial management, treasury management and banking arrangements. Budget Managers are responsible for managing income and expenditure within their areas and for monitoring performance. Detailed budget monitoring is undertaken by the Budget Managers on a monthly basis and are reported to both the PCC CFO and CC CFO. This reporting includes details of budget variances and proposed necessary actions to avoid exceeding the budget allocation and alerts the CC CFO as appropriate. The Head of Finance also has monthly meeting with the respective CFOs to discuss the reports. The CC's CFO submits a budget monitoring report monthly to the PCC containing the most recently available financial information. The monitoring reports compare projected income and expenditure with the latest approved budget allocations to ensure sound financial management. The CC CFO also reports to the PCC in relation to the Capital Programme, providing details and projections of spending on individual capital projects and planned slippage between financial years. These budget monitoring reports are presented to the PCC Accountability Meeting on a bi-monthly basis.

4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee;

The PCC/CC has a decision-making and accountability framework in place which is defined by the Police Reform and Social Responsibility Act 2011, to enable the PCC to make robust, well-informed and transparent decisions and hold the CC to account. The framework also includes arrangements for providing information to assist the Police and Crime Panel in its role to scrutinise the decisions and actions of the PCC.

The PCC is accountable to the public, via the Police and Crime Panel, for the management of the police fund. The Panel contains representatives of the County Council, City and District Councils and it holds the PCC to account by scrutinising their actions and decisions.

The primary oversight for decision making is the responsibility of the PCC via the PCC Accountability Meeting (PAM), with some delegated responsibilities to the Joint Audit Committee, as set out in the Scheme of Governance and Consent. The PAM meet six times a year with meeting held in public. Due to the Covid-19 pandemic, which caused significant disruption between March 2020 and May 2021, the PAM only met five time in 2020/21.

The Joint Audit Committee meets quarterly, and is comprised of appropriately skilled and experienced members. It has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

In addition, there are also regular briefings and discussions held between PCC and CC via Strategic Governance Board on a monthly basis to discuss any issues relating to strategic decisions, policy issues and medium / long-term planning. There is also a quarterly Estates Governance Board meeting where PCC and CC discuss the development of the Police Estate to be deliver future policing services across the County.

Appendix E – Provisional VFM Commentary (continued)

Governance (continued)

5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The PCC/CC has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements, including the acceptance of gifts and hospitality, business interests and additional occupations. The Joint Audit Committee is also responsible for reviewing the overarching corporate governance arrangements to ensure the effectiveness of the governance, risk management and control frameworks.

The PCC, CC and all members of the Joint Audit Committee have completed declarations for the 'Register of Interest', in line with the Code of Conduct and Business Interest Policy. The declarations can be found on the Constabulary's website.

The Constabulary also include review of the effectiveness and compliance with key corporate and HR policies in the Internal Audit programme on a rolling basis, which is due in 2021/22.

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Improving economy, efficiency and effectiveness

For 2020/21, the PCC/CC has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

1. How financial and performance information has been used to assess performance to identify areas for improvement;

At the PCC Accountability Meeting (PAM) meetings, the PCC receives reports on performance in the key priorities as set out in the Police and Crime Plan. The reports outline the Constabulary's progress on the strategic objectives against planned targets and outcomes. The reports are reviewed and discussed at the meetings. Depending on the performance area, the PCC will have oversight of the actions being identified and taken to address areas for improvements. In addition, any emerging operational / organisational risks will also be flagged up in the meetings. Due to the Covid-19 pandemic, there has been a stand-alone agenda item where the Chief Constable provides regular updates on managing the pandemic and the challenges faced by the Constabulary to respond to it.

Internal Audit also provide operational recommendations and controls reviews. The outcome of these and any recommendations are tracked at Joint Audit Committee.

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

The CC has an array of performance metrics, including organisational goals for the next 12 month period, across all aspects of its operations against the seven key priorities that are set out in the Police and Crime Plan. Performance reports are provided to the PCC in the bi-monthly PCC Accountability Meeting (PAM) meetings and where performance is below planned, they are being followed up to seek the required improvements through agreed actions.

The Constabulary is also regularly inspected by the HMICFRS under the PEEL (police effectiveness, efficiency and legitimacy) programme which draws together evidence from its annual all-force inspections. HMICFRS also undertakes inspections of specific subjects or services, known as thematic inspections which complement and contribute to the PEEL annual assessment. The Constabulary publishes its annual PEEL report outlining its performance against a wide range of quality measures. The latest report published was 2018/19 in which the Constabulary received an excellent performance in keeping people safe and reducing crime.

3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;

Norfolk and Suffolk Constabularies have been collaborating since 2010. The collaboration work has delivered in a number of joint units and departments in areas, such as major investigations, protective services, custody, transport and IT. The PCCs and the CCs of both counties meet regularly through the attendance at the Norfolk and Suffolk Collaboration Panel to consider issues of mutual interest and to monitor the collaborative work between the two forces and keeping the collaboration arrangements under review.

Norfolk Constabulary also entered into a Seven Force strategic collaboration programme with their counterparts for the police areas of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent and Suffolk. The programme was set up to establish areas for potential collaboration to help address the efficiency of service delivery and improving the effectiveness of delivery to the communities. The programme is governed by the Eastern Region Summit.

The programme also established a Seven Force Strategic Collaboration Oversight Group. The Oversight Group provides advice, support and oversight to the Senior Responsible Officer for the Programme and makes recommendations to the Eastern Region Summit.

Appendix E – Provisional VFM Commentary (continued)

Improving economy, efficiency and effectiveness (continued)

4. Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Seven Force Commercial Services Function has been created to support police procurement activity in all the seven police areas. All procurement contracts over £50,000 will be managed by the Seven Force Procurement Function through procedures covered by the Seven Force Commercial Services Contract Standing Orders.
A Seven Force Strategic Procurement Policy has also been published.

A governance body, the Seven Force Strategic Procurement Governance Board, has been put in place to ensure the function operates effectively. The Board is chaired by a nominated PCC lead, and as a body, is responsible for setting the strategic direction of the Seven Force Procurement Function on behalf of all PCC's and Chief Constables. Membership of this board consists of representation for PCC's and Chief Constables of each force and will ensure that focus of effort and priority of the Seven Force procurement function is shared across all Seven Forces and is acting in the best interests of each force. The Governance board meets monthly, and will report into the Seven Force Alliance Summit which govern the Seven Force Strategic Collaboration programme.

Below the Seven Force Strategic Procurement Governance Board is the Seven Force Strategic Procurement Delivery Board, which oversees the delivery of the Seven Force procurement function on behalf of the Strategic Procurement Board. Membership consists of a representative from each of the seven counties including PCCs and/or Force CFO's. This board also meets monthly.

A Senior Leadership Team meeting (Seven Force Commercial Services Function SLT meeting) is then also held monthly which is chaired by the Director of Commercial Services.

The governance arrangements are then adapted into the local working arrangements at Norfolk through the Norfolk Organisational Board updates provided through the Assistance Chief Officers' (ACO) portfolio updates.

An Internal Audit of the Seven Force Commercial Services function was recently undertaken by RSM In December 2020, assessing the processes and controls within the services. While there were some weaknesses identified in the design and application controls in 4 areas (namely SLAs, sub under £50,000 procurement, competitive tender process and contract documentation), the Internal Audit opinion concluded the Forces and PCCs could take reasonable assurance that the controls upon which the organisations rely on to manage this area are suitably designed and consistently applied.

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Internal Audit

FINAL

The Police and Crime Commissioner for Norfolk and the Chief Constable of Norfolk Constabulary

Summary Internal Controls Assurance (SICA) Report

2021/22

November 2021

Summary Internal Controls Assurance

Introduction

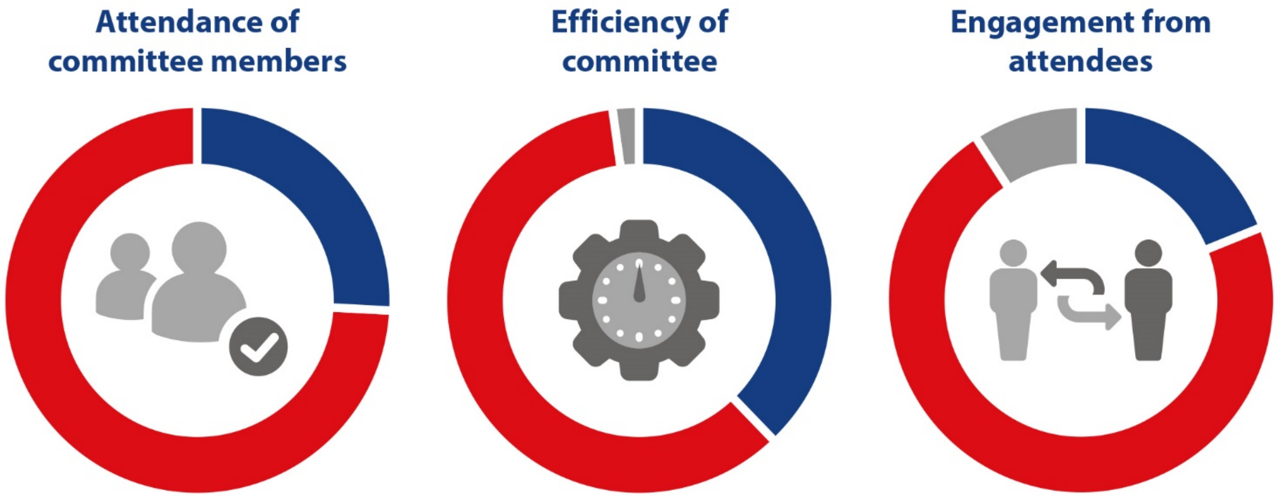
1. This summary controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at the Police and Crime Commissioner of Norfolk and Chief Constable of Norfolk Constabulary as at the 22nd November.

Emerging Governance, Risk and Internal Control Related Issues

2. In our recent 'Post-Lockdown Working Practices Briefing', we explored the results of our survey of clients to ascertain how organisations are planning to deliver some of their functions going forward. We asked a number of questions regarding Audit Committee meetings and their effectiveness since the pandemic started and gained thoughts on how these will take place once restrictions are eased.

   The experience of remotely held Audit Committees meetings has been positive with the majority of respondents recording no change in or increased attendance, efficiency and engagement at meetings.

Post Lockdown Audit Committee Attendance



Attendance of committee members

Increased	26%
No Change	74%
Decreased	0%

Efficiency of committee

Increased	38%
No Change	60%
Decreased	2%

Engagement from attendees

Increased	19%
No Change	72%
Decreased	9%

Audits completed since the last SICA report to the Audit Committee

3. All audits have been scoped and booked in for 2021/22.

Progress against the 2021/22 Annual Plan

4. Our progress against the Annual Plan for 2021/22 is set out in Appendix A.

Changes to the Annual Plan 2021/22

5. A revised annual plan has been produced which sets out the work for the rest of the year. The revised plan provides sufficient coverage to be able to provide a head of internal audit opinion.

Progress in actioning priority 1 & 2 recommendations

6. No Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) have been raised when undertaking audit work during 2021/22 since the previous SICA. An update of outstanding recommendations is included in Appendix B.

Frauds/Irregularities

7. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Other Matters

8. We have issued a number of briefing notes and fraud digests, shown in Appendix C, since the previous SICA report.

Responsibility/Disclaimer

9. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Overtime	1	Final Report	
Transport Management - Maintenance, Repair, Disposal, Transport Stock	1	Final Report	
Dog Handling	1	Final Report	
Business Continuity	1	Final Report	
Joint Justice Services	1	Final Report	
Shared Service Transaction Centre	1	Draft Report Issued	
Pension Administration	3	Audit brief issued	Audit commenced on the 22nd November
Systems – ERP / Enact / DMS / Chronicle interfaces	3	Audit brief issued	Planned start date 21st December
Capital Programme	3	Audit brief issued	Planned start date 16th December
Procurement Strategy and Policy	3	Audit brief issued	Planned start date 20th December
Establishment, Capacity, Recruitment and Retention	4	Audit brief issued	Planned start date 11th January
Corporate and HR Policies	4	Audit brief issued	Planned start date 3rd February
PEQF	4	Audit brief issued	Planned start date 21st February
Risk Maturity and Development	4	Audit brief issued	Planned start date 11th January
Data Quality	4	Audit brief issued	Planned start date 8th March
Absence Management including limited duties	4	Audit brief issued	Planned start date 21st March

System	Planned Quarter	Current Status	Comments
Transformation and Strategic Planning / Change	4	Audit brief issued	Planned start date 23rd March
Key Financial Systems will incorporate AP and Treasury Management as well	4	Audit brief issued	Planned start date 11th January
Automatic Number Plate Recognition (ANPR)	4	To be scoped	Replacement for the Norfolk OPCC Audit - Community Safety Partnership Audit

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued

Appendix C

Priority 1 and 2 Recommendations –Past their due date

Audit	Recommendation	Priority	Management Comments	Original Due Date	Revised Due Date	Responsible Officer	Current status
Establishment Capacity, Recruitment and Retention	Approval and rationale for why officers and staff are acting up be recorded for all officers/staff.	2	*The new Acting and Temporary Promotions Policy will be published in the Spring of 2019. This will standardise the process and this detail will therefore be captured. Staff are already covered within other HR policies and process.*	*30/06/19*	*31/01/22*	*DCC/ Head of Resourcing*	*The policy has been drafted and is currently going through the consultation process with the Police Federation.* ***A revised due date has been requested for the recommendation.***
Dog Handling	An annual risk assessment be undertaken to identify the optimum number of police dogs and handlers needed.	2	*There is no "Dog STRA" and it is understood that none of the forces in the region have such a document. Developing an accurate STRA for N&S would currently be difficult because of the method used to capture data of activity, this is under review and an annual risk assessment will be considered once complete.*	*31/03/2020*	*31/01/22*	*Dogs Inspector*	*Work is progressing to address this, this is being discussed with regional partners.* ***A revised due date has been requested for the recommendation.***
External Training Budget	Training requirements be recorded within the constabularies' workforce plans, to ensure effective succession planning and an appropriately trained workforce.	2	*This work is reliant on a number of other workstreams, such as Succession Planning, E-PDR and the skills database which are ongoing and form key elements of the constabularies' People Strategy. A further update will be provided at the end of the calendar year.*	*31/12/20*	*31/01/22*	*Head of People*	*Work is still ongoing to address the recommendation. This is still ongoing as part of the wider skills work / WFP / mapping work. Progress is being made on the e-pdr project and aligning to LMS / ERP. Chronicle is also now authorised for wider use for recording Public order, first aid and PST.*

Audit	Recommendation	Priority	Management Comments	Original Due Date	Revised Due Date	Responsible Officer	Current status
							A revised due date has been requested for the recommendation.
PEQF	Review of vetting team capabilities be undertaken to establish if there are sufficient resources to undertake vetting of new recruits for the PEQF programme.	2	*Vetting capability and capacity continue to be under review to ensure delivery against PEQF and Op Uplift plans. It will be ensured that this is added to the Vetting Risk Register, so that this can be monitored. Implementation date of three months hence provided for monitoring purposes*	*31/03/21*	*31/01/22*	*Head of People*	*The position has not changed. If anything it is worse due to ongoing resource issues. There are three staff off long term sick and another due to go off for hip replacement surgery so they continue to work at 60%. The Coe-Vet upgrade and Robotics project are now complete however the implementation phase was extended and this proved to be very disruptive to the vetting service. As a result backlogs have grown and all renewal vetting and reviews have stopped. They continue to offer overtime and are continuously looking to find solutions to reduce the problem.* ***A revised due date has been requested for the recommendation***
Vetting	MV clearances be reviewed on an annual basis, in accordance with the requirements of the APP.		*The draft APP July 2020 has now been circulated to all forces in anticipation of implementation December 2020/January 2021. The new APP states: "8.48.3 In addition to making disclosures after vetting clearance has been granted, individuals holding MV clearance should be subjected to review at least twice during the validity of the clearance. Any MV conducted in conjunction with SC or DV clearance must be subject of annual review*	*01/04/21*	*31/01/22*	*Head of Vetting*	*Same as above*

Audit	Recommendation	Priority	Management Comments	Original Due Date	Revised Due Date	Responsible Officer	Current status
			alongside the review of the SC or DV i.e. it is not necessary to complete two reviews per year for MV/SC or MV/DV clearances. Forces should have a programme in place to ensure that all applicable posts are subjected to review during the lifetime of the clearance. NPPV3 should also be reviewed at least twice during the validity of the clearance. "There are currently 950 staff and officers who hold DV or SC clearance and 2147 who hold MV clearance. The vetting unit will begin reviews on those who hold DV and SC clearance. The remaining MV clearances will be reviewed and appropriate review dates set in future.				
Corporate Health and Safety	Designated fire safety persons be assigned for all buildings/areas/departments to ensure that the necessary statutory fire checks are undertaken.	2	*Responsible persons already have this role, to an extent, however the requirements are not routinely being complied with, and the individuals, particularly in Suffolk cover multiple stations increasing risk and ability to fulfil statutory duties placed upon both constabularies. Proposed actions to resolve: Review and improve first safety and responsible person eLearning .Training and or eLearning to be repeated every 3 years as per the latest Fire Safety Management Policy requirements Review of responsible person role for all stations. Each station to assign either a responsible person 'based' in the station or a nominated*	*01/07/21*	*31/01/22*	*Joint: Health and Safety Manager and Head of Estates*	*Work is progressing to address this. LMS system has seen additional eLearning elements added to it and is providing a solution. We are using links to NCALT which works via Microsoft Edge for RoSPA produced Fire Warden and Fire Safely eLearning Packages for which no negative feedback has been received. A member of the Health and Safety Team is reviewing the script from our original package and that from the RoSPA to develop our own version. A number of stations across both forces have failed to ensure weekly fire alarm tests are carried out (See the 'Master' Tab on: PMS Norfolk and PMS Suffolk for a point in time indication of compliance levels). As an example,*

Audit	Recommendation	Priority	Management Comments	Original Due Date	Revised Due Date	Responsible Officer	Current status
			person 'based' at the station to aid in fulfilling these statutory duties.				*currently 31 stations out of 36 are overdue weekly fire alarm tests for Suffolk and 12 out of 31 in Norfolk are overdue. We have drafted an email to all 'Responsible Persons' to improve levels of compliance, however it is clear that the lack of responsible person based in each station for Suffolk is not working and this need urgent review. This email also requests them to identify persons to act as Evacuation Marshalls in all areas where gaps may currently exist.* ***A revised due date has been requested for the recommendation***
Corporate Health and Safety	A designated resource be assigned for co-ordinating and managing the fire safety management process. The resource needs to ensure that the necessary fire safety checks are undertaken and staff receive appropriate fire safety training.	2	*In order to satisfy this finding, if fire safety compliance does not improve within the next six months then a dedicated role to ensure fire safety compliance, monitoring and auditing will be required to be fulfilled by a suitably qualified, competent and experienced individual.*	*01/09/21*	*31/01/22*	*Joint: Health and Safety Manager and Head of Estates*	*Work is progressing to address. A dedicated role/resource to provide internal advice, monitoring and audits focused on fire safety is therefore the preferred option to ensure that our responsible persons fulfil their duties and both constabularies remain 'broadly compliant'.* ***A revised due date has been requested for the recommendation***
Learning and Development	Work to continue to address the limitation of inaccuracy of skills data recorded in ERP.	2	*A dedicated L&D resource is now in place to work with ICT and the ERP board to resolve integration of systems and commonality of language between platforms. The secondment is for 6 months and will potentially resolve the skills data issues and allow for improved reporting through ERP. The Chronicle system is working well for*	*30/09/21*	*31/01/22*	*Head of L&D*	*Approval has now been received for the purchase of the Chronicle skills Public Order and CBRN module. This puts the forces in a much stronger position on skills data and will enable stronger compliance and risk management. Governance in place to analyse data and feed up to relevant DCCs. Next steps will be to mobilise L&D resources into a new*

Audit	Recommendation	Priority	Management Comments	Original Due Date	Revised Due Date	Responsible Officer	Current status
			Firearms and Driver skills data and has enabled a clearer picture of demands and risks .A skills governance board is now in place that feeds into People Board with a dashboard of skills compliance across each command. Significant improvement in information has been achieved over the last three months.				*Chronicle team with supervision from the new Driver Risk management post (this post to be extended to all skills risk). Significant progress now made in this risk that supports the ERP data but allows for more meaningful data to be recorded, analysed and reported on. The mobilisation timeline for Chronicle is 3 months from the purchase order being submitted (attached to email). By Mid -September this will be in up and running in the force.* ***A revised due date for the recommendation has been requested***

KEY:

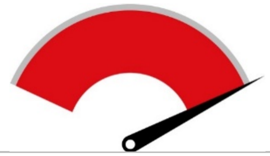
Priority Gradings (1 & 2)

1	URGENT	Fundamental control issue on which action should be taken immediately.
2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.

Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk and Control which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs issued in the last few months which may be of relevance to the Police and Crime Commissioners for Suffolk and Chief Constables of Suffolk is given below. Copies of any CBNs are available on request from your local TIAA .

Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
CBN – 21039	UK Finance Confirm Fraud Losses Rise by 30%		**Action Required For Information Only** Boards and Governing Bodies to note the changing nature of fraud, and in particular, the increase in APP fraud.
CBN – 21042	Fraudulent Emails and Purchase Orders		**Action Required** Procurement teams and suppliers to your organisation should be made aware of this scam.
CBN – 21043	Guidance to Prevent use of Vehicles as Weapons in Terror Attacks		**Action Required Where Applicable** Audit Committees and Boards/Governing Bodies are advised to assess their arrangements in light of the risks if applicable and take appropriate remedial action.

Internal Audit

DRAFT

Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies

Audit Strategy and Annual Internal Audit Plan

2021/22

November 2021

Overview

Introduction

The Audit Plan for 2021/22 has been informed by a risk assessment carried out across our local government clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will continue to be another challenging year for local authorities in terms of funding, balancing budgets, service delivery and dealing with the ongoing impact of the COVID-19 pandemic. We have identified a number of key areas which require consideration when planning internal audit coverage.

COVID-19: The impact of the pandemic will carry through into 2021/22, continuing the pressure on policing resources and the knock-on effect of carried-forward leave and sickness absences. Other challenges include a backlog of cases in the criminal justice system, unreported/hidden crime and the potential need to increase the precept to mitigate any shortfall in funding.

Brexit withdrawal agreement: Depending on whether or not the United Kingdom can reach agreement on the terms of the UK's exit from Europe, the knock-on effect on trade, supplies and labour could have a detrimental impact on the economy and on the prices of goods and commodities, such as building materials. Policing needs in relation to borders and civil unrest remain unknown.

Recruitment: The continued implementation of the Government's three-year national campaign to recruit 20,000 police officers will require significant Human Resources, Training and Development and Workforce Planning input.

Cyber-crime: A continuing theme and Forces need to take steps to assure themselves over the robustness of their overall arrangements. The National Police Chiefs' Council has also recently identified issues of cyber risk for police pension schemes following the results of this year's TPR Annual Governance and Administration Survey.

Further analysis of the risks facing the sector can be found at Appendix A.

Providing Assurance during the COVID-19 pandemic

We have successfully transitioned to new and remote ways of working without any diminution of the service and we recognise that many if not all of our clients have had to implement changes in the way that they work. This may have resulted in gaps in control or exposures that previously didn't exist.

We have carried out extensive research to establish the Root Cause Indicators (RCI) which underpin the reasons for any weaknesses identified by our Internal Audit work in an organisation's governance, risk and control framework.

The RCIs include identifying the extent to which COVID-related factors are the cause of the identified exposure.

Further details in relation to RCIs can be found at Appendix B.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2021/22 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

Internal Audit Plan

Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2021/22, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies and those within the sector and has been developed with senior management and Committee. Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Global IIA (Institute of Internal Auditors).

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing Example Client. Appendix A contains the GUARD assessment of key risks in the sector and which has been used to identify those that are most relevant to the organisation and where internal audit assurance would be best focussed. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix C) and the Annual Plan (Appendix D) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

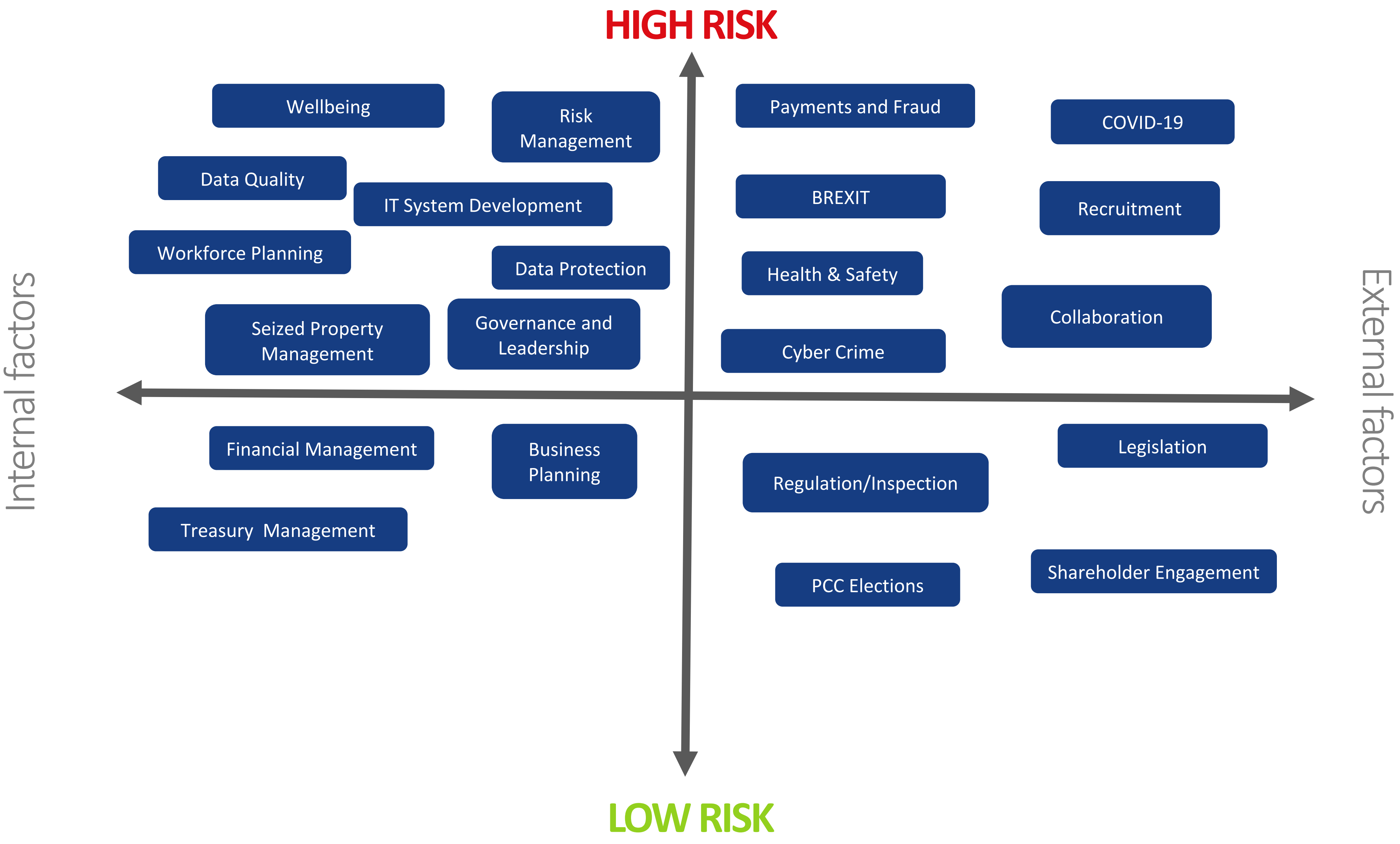
The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Directors of Finance / ACOs and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

Date plan issued:	11th March 2021
Date revised plan issued:	November 2021

Appendix A: GUARD Risk Analysis



Appendix B: Providing Assurance

Corporate Assurance Risks

We consider two corporate assurance risks – Directed and Delivery. Underneath these corporate risks sit six Root Cause Indicators (RCI). We have carried out extensive research to establish the RCI which underpin the reasons for any weaknesses identified by our Internal Audit work in an organisation's governance, risk and control framework. The benefits of adopting this new approach is that it enables management and Audit Committees to clearly understand and focus on the significant issues arising from our work. For each audit assignment, we will provide a RCI for each of our findings in that area.

	Directed Risk: Failure to properly direct the service to ensure compliance with the requirements of the organisation.	
Root Cause Indicator	**Governance Framework**	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.
	Risk Mitigation	The documented process aligns with the mitigating arrangements set out in the corporate risk register.
	Compliance	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.

	Delivery Risk: Failure to deliver the service in an effective manner which meets the requirements of the organisation.	
Root Cause Indicator	**Performance Monitoring**	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.
	Financial Constraint	The process operates within the agreed financial budget for the year.
	Resilience	Good practice to respond to business interruption events and to enhance economic, effective and efficient delivery is adopted.

Appendix C: Rolling Strategic Plan

Review Area	Type	2021/22	2022/23	2023/24
Governance				
Strategic Control and Corporate Governance	Assurance		✓	
Corporate and HR Policies	Assurance	✓		
Automatic Number Plate Recognition (ANPR)	Assurance	✓		
Performance Management	Assurance			✓
Transformation and Strategic Planning / Change	Assurance	✓		✓
Whistleblowing	Assurance		✓	
Complaints	Assurance			✓
Communications	Assurance		✓	
Emergency Planning & Business Continuity	Assurance			✓
Commissioning including MOJ return	Assurance		✓	
Risk Management				
Strategy / Policy	Advisory			✓
Risk Maturity and Development	Assurance	✓		
Embedding / Mitigating Controls	Assurance		✓	
ICT				
Cyber Security	Assurance			✓
IT Development – incl Digital World, Governance, Strategy	Assurance		✓	
Device Management	Assurance			✓
Disaster Recovery and Business Continuity	Assurance	✓		
Systems – ERP / Enact / DMS / Chronicle interfaces	Assurance	✓		

Review Area	Type	2021/22	2022/23	2023/24
Finance				
Shared Service Transaction Centre	Assurance	✓		✓
OBB Process	Assurance		✓	
Key Financials	Assurance	✓	✓	✓
Payroll, including ERP Reporting	Assurance		✓	
Accounts Receivable	Assurance		✓	
General Ledger	Assurance			✓
Capital Programme	Assurance	✓		
Budgetary Control	Assurance			✓
Fixed Assets	Assurance		✓	
Pensions Administration	Assurance	✓		
Overtime	Assurance	✓		
Allowances, Expenses and Additional Payments	Assurance		✓	
Procurement				
Strategy and Policy	Assurance	✓		✓
Local Procurement compliance, incl waivers	Assurance		✓	✓
Information Management				
Data Protection / Freedom of Information	Assurance		✓	
Data Quality	Assurance	✓		
MOPI	Assurance			✓
Human Resources				
HR Strategy & Workforce Planning & People Strategy	Assurance			✓
Establishment, Capacity, Recruitment and Retention	Assurance	✓		
Succession Planning	Assurance			✓
Absence Management, with limited duties	Assurance	✓		

Review Area	Type	2021/22	2022/23	2023/24
Workplace Health	Assurance		✓	
Learning and Development, incl external training budgets	Assurance			✓
ED&I	Assurance		✓	
PEQF	Assurance	✓		
Joint Justice Service Review	Assurance	✓		
Ill Health Retirement	Assurance		✓	
Transport and Stores				
Procurement	Assurance		✓	
Management - Maintenance, Repair, Disposal, Transport Stock	Assurance	✓		✓
Use of Vehicles and telematics, incl Fuel Usage	Assurance		✓	
Stores and Uniform	Assurance			
Estates				
Maintenance	Assurance			✓
Health and Safety	Assurance		✓	
Facilities	Assurance		✓	
Stations, incl Building Access and Vehicle Security	Assurance			✓
Contract Management	Assurance		✓	
Operational / Other Areas				
Firearms Certificates / Management	Assurance		✓	
Dog Handling	Assurance	✓		
Proceeds of Crime	Assurance			✓
Safeguarding and Investigations	Assurance		✓	
Ethical Standards	Assurance			
Vetting	Assurance		✓	

Review Area	Type	2021/22	2022/23	2023/24
Management and Planning				
Follow Up	Follow Up	✓	✓	✓
Annual Planning	-	✓	✓	✓
Annual Report	-	✓	✓	✓
Audit Management	-	✓	✓	✓
Total Days	**239**			

Appendix D: Annual Plan – 2021/22

Quarter	Review	Type	Days	Rationale and Scope
4	Automatic Number Plate Recognition (ANPR)	Assurance	10	<u>Rationale</u> Automatic Number Plate Recognition (ANPR) technology is used to help find criminals, organised crime groups and terrorists. ANPR provides lines of enquiry and evidence in the investigation of crime. National guidance is in place guiding ANPR. It is vital that Norfolk and Suffolk are complaint with national guidance. <u>Scope</u> The audit will appraise the effectiveness of controls in place for ANPR. The audit will review the following key areas; - Policies and procedure - Systems and processes in place for ensuring compliance with national guidance - Governance and accountability - Performance monitoring and reporting

Quarter	Review	Type	Days	Rationale and Scope
1	Joint Justice Service Review	Assurance	12	Rationale The Covid-19 pandemic has caused significant backlog in the courts, this means that the constabularies have to support victims for longer this puts extra pressure on the service. Scope The review will appraise the effectiveness of controls in place for the joint justice services. The joint justice service consists of Criminal Justice Service, Custody and Custody Investigation Unit. The audit will review the following key areas: - Policies and procedure - Systems and processes in place for ensuring investigations and interviews are undertaken to appropriate standard - Systems and processes in place for ensuring victims of crime receive appropriate support through the court process and this meets the requirements of the Victims' Code of Practice - Governance and accountability - Performance management arrangements in place to help ensure collaboration arrangements are working effectively across Norfolk and Suffolk
4	Corporate and HR Policies	Assurance	6	Rationale The centralised policy unit are responsible for the production and review of all departments/areas policies, with the exception of HR related policies. The HR department are responsible for the production and revision of their policies. There is a need for appropriate and current policies to be in place to ensure consistent and standardised approach is followed. Scope The audit will assess the adequacy and effectiveness of the Constabularies for agreeing and reviewing policies.
4	Transformation and Strategic Planning / Change	Assurance	10	Rationale The development of new internal systems and processes will impact on the capacity and capability of resources to develop working practices and drive efficiencies. Scope The objective of the audit is to review the systems and controls in place for strategic control. The audit will ensure that there are appropriate controls and monitoring arrangements in place to ensure objectives are achieved.

Quarter	Review	Type	Days	Rationale and Scope
4	Risk Maturity and Development	Assurance	8	Rationale Robust risk management is critical to all organisations to ensure risks are effectively management and emerging risks identified. Scope Our cyclical annual reviews will cover the structures and processes put in place to ensure effective Risk Management across the organisation.
1	Disaster Recovery and Business Continuity	Assurance	12	Rationale Appropriate disaster recovery and business continuity arrangements need to be in place to ensure the organisation is able to function. The Covid-19 pandemic has caused additional pressure for the constabularies and has caused significant changes to working practices. Scope The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place to manage Disaster Recovery and business continuity.
3	Systems – ERP / Enact / DMS / Chronicle interfaces	Assurance	16	Rationale The constabularies use a number of different systems, to ensure effective delivery of services. There is a risk that systems do not fulfil their objectives and do not interact accordingly. Scope The objective of the audit is to ensure the systems are operating effectively and delivering required objectives.
1	Shared Service Transaction Centre	Assurance	12	Rationale The shared service transaction centre was implemented October 2020. Scope The audit will review how successful embedding of the shared services transaction centre has been and to ensure the service is achieving its objectives.
4	Key Financials	Assurance	26	Rationale Robust financial systems are essential to financial well-being of any organisation. The key controls will focus on stress testing the key controls within each of the financial systems identified. Scope The review considers the arrangements for key controls operating within the systems and Force Management Statements.

Quarter	Review	Type	Days	Rationale and Scope
3	Capital Programme	Assurance	8	Rationale The capital programme set out our plans for investment in assets and how these will be funded. If the capital programme is not effectively managed there will not be sufficient funding to fund the capital programme. Scope The review considers the arrangements for accounting for the capital programme.
3	Pensions Administration	Assurance	6	Rationale It is a legal requirement to provide a pension scheme. It is vital that the pension fund is managed accordingly. Pension deductions are made accordingly. Scope The review considers the arrangements for management and accounting of the pension function.
1	Overtime	Assurance	12	Rationale Due to the high volume of transactions and nature of the system, it is vulnerable to error and misappropriation. The constabularies have developed (POCASO) internally for payment of police officers’ overtime. Police staff continue to submit hard copy forms for claiming of overtime. Scope The review to consider the arrangements for claiming, making payment and monitoring of overtime to ensure that these controls are operating effectively.
3	Procurement Strategy and Policy	Assurance	8	Rationale The constabularies’ are part of the seven force procurement function, this covers Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk and Suffolk. The seven force procurement team are in their infancy. There is a risk that the procurement strategy may not align with corporate strategies and direction for current and future needs. Scope The audit will appraise the strategy for managing the procurement function for current and future requirements, with supporting policies.
4	Data Quality	Assurance	12	Rationale Data quality is a key area of risk for the constabularies. Previous audits have identified concerns in relation to data quality, and for this reason a further audit has been scheduled. Scope The review will focus on the quality of data across areas of the organisations. This will include data recording and retention on central systems and stand-alone systems, quality of input, focusing initially on data quality for priority reporting systems.

Quarter	Review	Type	Days	Rationale and Scope
4	Establishment, Capacity, Recruitment and Retention	Assurance	10	Rationale Key audit risk area, with increased drive to recruit front line officers, implication of PEQF and there has been a change in the recruitment process. Scope The review will consider decision making around the establishment, capacity, and changes to recruitment criteria, around the arrangements for advertising, shortlisting, interviewing and appointing staff/officers. Also around the retention of officers/staff, the impact of changes to recruitment processes, acting up and promotions.
4	Absence Management, with limited duties	Assurance	12	Rationale Resources are limited and thus it is critical that appropriate means are in place to reduce absence and to ensure that any absence is appropriately managed. Scope The audit will consider the adequacy of controls in place in relation to absence management including limited and restrictive duties across Norfolk and Suffolk Constabularies.
4	PEQF	Assurance	8	Rationale Policing Education Qualification Framework (PEQF) is a new professional framework for the training of police officers and staff, it is intended to be a standardised national framework stating the required level of professional training for police officers from constable through to chief officer ranks. Without proper investment and planning there is a risk that the constabularies are not ready to implement PEQF. Scope The to review the systems and controls in place for ensuring appropriateness and readiness of the constabularies for PEQF
1	Management - Maintenance, Repair, Disposal, Transport Stock	Assurance	15	Rationale The constabularies need to have appropriate fleet of vehicles which is well maintained to enable them to meet the needs of the forces. There is a risk that fleet vehicles are not appropriately maintained. Vehicles which are surplus to requirements will be disposed-off. There is a risk that funds received from the sale of vehicles are not received in full resulting in financial loss. Scope The audit will appraise the arrangements and controls in place to ensure that the fleet of vehicles are adequately maintained, and to ensure appropriate controls are in place for disposing of vehicles and recording of vehicle sales proceeds.

Quarter	Review	Type	Days	Rationale and Scope
1	Dog Handling	Assurance	10	Rationale Dog handlers provide proactive and reactive assistance in support of all operational officers and specialist departments by appropriate use of police dogs; to locate and retrieve evidence or offenders, to control potential and actual disturbances. Scope The audit will consider the adequacy of controls in place in relation to management of police dogs across Norfolk and Suffolk Constabularies.
4	Follow-up	Follow up	9	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the organisation is implementing recommendations, and providing reports to the Audit Committee.
1	Annual Planning	Management	1	Assessing the organisation's annual audit needs.
4	Annual Report	Planning/Reporting	1	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1-4	Audit Management	Planning/Reporting	15	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
		Total days	**239**	

Appendix E: Internal Audit Charter

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit and Committee.

The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the Global Institute of Internal Auditors (IIA) standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Audit Committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to- day administrative purposes only, TIAA reports to a nominated officer within the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the Global IIA standards and the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies and additional time will be required to carry out such testing. The Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Liaison with the External Auditor

We will liaise with the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and the Global IIA standards.

Progress Reports: Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and the Global IIA standards. The Annual Report will include a summary opinion of the effectiveness of the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed in time allocation.	100%
Reports Issued	Draft report issued within 10 working days of exit meeting.	100%
	Final report issued within 10 working days of receipt of responses.	100%
Professional Standards	Compliance with TIAA's audit charter and the Global IIA Standards.	100%

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has IS0 9001:2015 accreditation.

Audit Committee Responsibility

It is the responsibility of the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Audit Committee is also approving the Internal Audit Charter.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Audit Committee
Forward Work Plan

29 November 2021

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **19 October 2021**	
Actions from previous meeting	Action Log
Final Accounts 2020/21 Approval including External Auditor's Audit Results Report	Reports from CFO and E&Y
Internal Audit 2021/22 Progress Report and Follow up Report	Report from Head of Internal Audit
Forward Work Plan	Report from CFO
Fraud - Part 2 private agenda	Report from CFO

25 January 2022

Morning briefing 24 January	Commissioning/VAWG & PSAA appointments
Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **29 November 2021**	
Actions from previous meeting	Action Log
Internal Audit 2021/22 Progress update and follow up report 2022/23 Internal Audit Plan (draft)	Reports from Head of Internal Audit
External Audit 2020/21 Accounts Annual Audit Letter 2021/22 Audit Plan	Reports from Director, E&Y
Treasury Management 2021/22 Half Year Update 2022/23 Strategy (draft)	Report from CFO
Forward Work Plan	Report from CFO
Fraud update – Part 2 private agenda	
Strategic Risk Register Update – Part 2 private agenda	Report from Chief Exec and CC

12 April 2022

Morning Briefing 11 April	Complaints and Standards/ Sustainability
Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **25 January 2022**	
Actions from previous meeting	Action Log
Internal Audit 2021/22Progress Report and Follow Up Review 2021/22 Annual Report 2022/23 Internal Audit Plan (Final)	Reports from Head of Internal Audit
External Audit Plan for 2021/22 Accounts	Report from Director, E&Y
Forward Work Plan	Report from CFO
Audit Committee Annual report	Report from Chair and CFO
Part 2 Private Agenda	
Fraud Update – Part 2 private agenda	
Strategic Risk Register update – Part 2 private agenda	Report from Chief Exec and CC

7 June 2022 Private (informal meeting)

Draft Statements of Accounts 2021/22	Reports from CFO/ACO

5 July 2022

Morning briefing **4 July 2022**	Single tender register & 7 Force Procurement/ Force Management Statement
Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **12 April 2022**	
Actions from previous meeting	Action Log
Internal Audit 2021/22 Final Progress Report (including any outstanding reports from 2021/22) Annual Report	Reports from Head of Internal Audit (TIAA)
Annual Governance Statement	Verbal update from CFO
Forward Work Plan	Report from CFO
Fraud - Part 2 private agenda	Report from CFO & ACO
Strategic Risk Register Update – Part 2 private agenda	Report from Chief Exec and CC

19 October 2022

Morning Briefing 18 October	Risk appetite /VFM/Benchmarking
Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **27 July 2021**	
Actions from previous meeting	Action Log
Internal Audit 2022/23 Summary of Internal Control	Reports from Head of Internal Audit
Corporate Governance Framework	Report from CFO
Annual Governance Statement	Report from CFO
Audit Committee Effectiveness (Skills)	Report from CFO
Forward Work Plan	Report from CFO
Fraud - Part 2 private agenda	Report from CFO
Strategic Risk Register update– Part 2 private agenda	Report from Chief Exec and CC

Note:-

1. A private meeting with Audit Committee members and Internal and External Audit leads will take place 9-10am 25th January 2022 on MS Teams

2. An Audit Skills questionnaire will be sent out in September 2022

Report Author
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