POLICE & CRIME COMMISSIONER

NORFOLK

# GROUP AND PCC
# STATEMENT OF ACCOUNTS
# 31 March 2022
# DRAFT

www.norfolk-pcc.gov.uk

# Statement of Accounts
# for the year ended 31 March 2022

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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**

**……………….. 2022**

## 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 2022, and its income and expenditure for the year to that date.

**Jill Penn CPFA, ACMA, MSc**

**Chief Finance Officer**

**……………….. 2022**

# 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 2022/23 is welcome, there is still uncertainty surrounding the announcement of indicative multi-year funding allocations with the annual settlement in December 2021. With rising levels of inflationary increases and the war in Ukraine, there is pressure on budgets even before rising demand pressures impact on funds.

The last year saw some significant events that placed a particular spotlight on police responses to rape, serious sexual assault, domestic abuse and violence against women and girls. The government is clear, and the people of Norfolk are clear that action must be taken to make our homes and our streets safe for women and girls. Therefore, funding for both the OPCCN and Constabulary is focused in this area in the coming year.

It should be noted again that 81% 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. The results of the pay review body's deliberations for Police and the possibility of a revised offer to police staff awaited to assess what impact if any this will have on the Medium-Term Financial Plan (MTFP).

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. Any funding formula proposals will need to be assessed closely for any impact on Norfolk's ability to resource up to meet demand.

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 2022;

- 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 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 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 2022 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 2021/22 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Impact of Covid-19 pandemic, Exiting the EU and the Conflict in Ukraine
8. Funding Settlement 2022/23 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 2021/22 were approved in February 2021.

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 quarter. 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. 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.

The population of Norfolk in 2022 is projected to be 930,282 (source: Norfolk insight) and Norfolk has a much older age profile than England as a whole. Approximately 25% of the population in Norfolk are aged 65 and older compared with 18% in England (2019 estimate) and by 2043 it is expected that those aged over 65 will account for almost one third (30%)[1].

[1] Economic-Impact-of-Tourism-Norfolk-2020.pdf (visitnorfolk.co.uk)

Norfolk is a popular tourist destination, and prior to the pandemic had experienced record high visitor rates. In 2018, the county received 3.1m overnight visitors and 47.8m day trips were made, however in 2020 this had reduced to 1.4m overnight trips and 21.7m day trips. Norfolk's visitor economy in 2020 (total tourism value) was calculated at £1.5bn, and the number of jobs in the county's tourism trade had reduced to 43,400 (from 67,000 in 2018)[2].

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, many of which are scheduled to go ahead in 2022 having been cancelled in 2020 and 2021.

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.

**Learning to live with Covid-19**

This financial year saw the continuing impact of the coronavirus pandemic. As the restrictions eased, the demand for policing has altered too, with a return to the new normal bringing the return to a similar pattern for policing requirements. The pandemic still brings challenges to the Constabulary with each wave, and the Constabulary is proud of how it maintained the trust and confidence of its communities throughout, whilst maintaining critical services such as call handling and emergency response. Summer planning has been significant this year to increase the preventative work as much as possible and provide visible reassurance as although foreign travel is now available once more, Norfolk is expecting to receive a significant influx of visitors throughout the summer months.

The Constabulary's Horizons programme has kept working at pace throughout the pandemic. The recruitment of the National Uplift officers has been successfully achieved to date, and Norfolk is well on track to have recruited over 200 additional officers which is their share of the National 20,000. The new officers have enabled the smooth introduction of the largest transformation to policing recruitment in our time, with the introduction of the Police Education Qualification Framework. In partnership with Anglia Ruskin University, new recruits will receive significantly enhanced learning and development for the first two to three years of their service. The additional resources have been allocated to uniform roles, focus on embedding their learning and providing visibility in communities, as well as bolstering the detective resources to match the increases in demand.

This transformation in recruitment is a positive step as 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. Operationally the police officer only model Norfolk implemented through the 2020 programme continues to strengthen, with a significant increase in proactive and preventative policing enabled by the Neighbourhood Policing Teams and Operation Moonshot, which continues its exceptional performance, with hundreds of arrests, seized vehicles and significant sentences delivered through their work.

**Collaboration and partnership working**

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

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

The two police forces have been collaborating for over a decade, with the programme of collaborative work delivering an extensive number of joint units and departments that encompasses most functions except local policing and includes areas such as major investigation, protective services, custody, 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).

[2] Economic-Impact-of-Tourism-Norfolk-2020.pdf (visitnorfolk.co.uk)

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.

In January 2020 a 7Force Commercial Services team was implemented and is now overseeing all procurement activity across the seven forces, making sure all opportunities for savings and efficiencies are exploited. There is also a 7Forces Network that continues to review areas for wider convergence and collaboration as well as completing some significant multi-force projects.

Norfolk is also part of a well-established 10 force consortium for insurance known as the Southeast 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 currently.

A Home Office PCC review was announced to take the form of two phases. The results of phase one were announced before the last PCC election and a consultation on mandating fire governance by the PCC was among the plans to be progressed after the election. There is currently at the time of this report a White Paper consultation on several matters to do with the fire service including governance.

Phase two of the review has now been announced and focuses on the criminal justice system. The PCC and OPCC are preparing for the potential legislation that will give greater responsibility to the PCC.

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 Commissioning Directorate also has responsibility for the Community Safety Partnership under the chairmanship of the OPCCN Chief Executive.

In the year the Norfolk Integrated Domestic Abuse Service (NIDAS) was launched to ensure provision of domestic abuse services across Norfolk. Funding for this service is through the OPCCN with local authority partners contributing.

Commissioning intentions are listed within the Police and Crime Plan and the Community Safety Plan. 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 2021/22, the OPCCN had a total commissioning budget of £3.692m, comprising:

- OPCCN commissioning budget of £1.206m
- Ministry of Justice funding stream of £1.505m, specifically for the commissioning of support services for victims of crime
- Other Commissioning funding of £0.981m.

## 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 suggests 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 2021/22 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 2021/22 Revenue and Capital Budget Process

A joint financial planning process took place between June 2020 and January 2021 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 recommendations were developed for appropriate investment, efficiencies and savings.

These recommendations 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 2021/22 police budget which ran for 5 weeks. The consultation included 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 2021 and presented by the PCC to the Police and Crime Panel at its meeting on 2 February 2021.

These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2021/22 to 2024/25 and was signed off in February 2021.

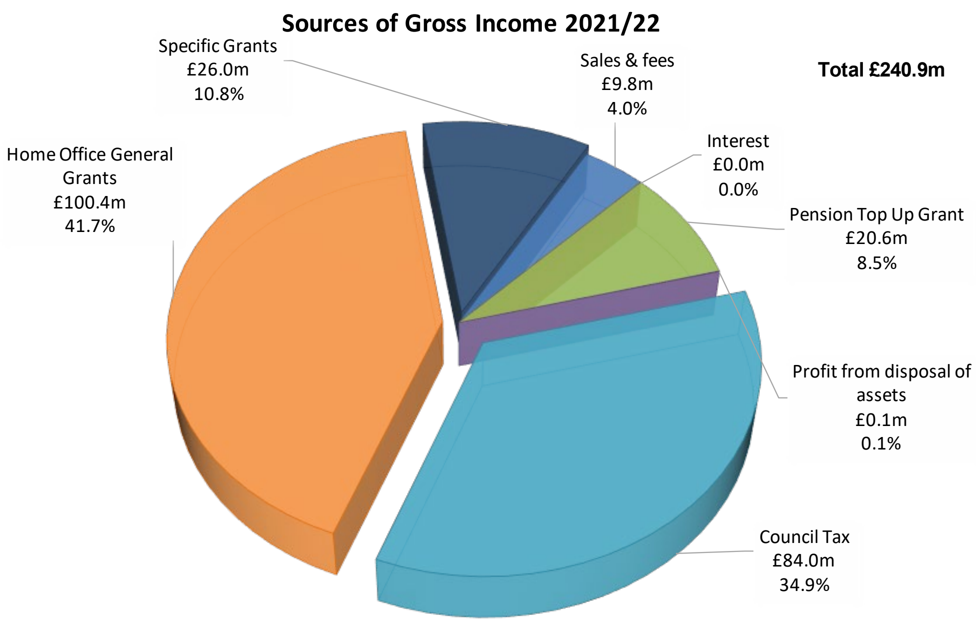
The Medium-Term Financial Plans for the PCC are available at www.norfolk-pcc.gov.uk

## 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 2021/22:




### Revenue Budget

In February 2021, the PCC approved a net revenue budget for 2021/22 of £183.056m. The revenue budget was enhanced by the PCC's decision to increase the policing element of council tax for Band D property by £15. This stood at £278.01 for 2021/22 (£263.07 2020/21).

### 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 £4m were identified for 2021/22, 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 2021/22 and what this means for the Constabulary over the medium-term in the Looking Forward section below.

**Revenue Expenditure Compared to Budget**

| | Budget £000 | Final outturn £000 | Variance £000 |
|---|---|---|---|
| Constabulary | 193,330 | 192,920 | 410 |
| Office of the PCC | 1,098 | 1,058 | 40 |
| PCC Commissioning | 1,206 | 1,206 | - |
| OPCC - Grants | (14,224) | (14,224) | - |
| Net total contributions to / (from) earmarked reserves | 1,646 | 2,033 | (387) |
| Total Net Expenditure | 183,056 | 182,993 | 63 |
| Grants income | 100,168 | 100,105 | 63 |
| Precept income (before collection fund balance adjustment) | 82,888 | 82,888 | - |
| **Transfer from/(to) general reserves** | **-** | **-** | **-** |

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

| 2020/21 £000 | | 2021/22 £000 |
|---|---|---|
| 174,962 | **Total Net Expenditure per Outturn Report** | 182,993 |
| (5,994) | Revenue funding of capital | (4,742) |
| (2,057) | Minimum Revenue Provision (MRP) | (2,236) |
| 11,210 | Depreciation, amortisation and impairments | 8,567 |
| 53,199 | IAS 19 pension service costs (accounting basis) | 69,670 |
| (29,263) | Pension contributions (funding basis) | (30,986) |
| 559 | Movement on compensated absences accrual | (16) |
| (2,643) | Transfers from/(to) reserves | (1,371) |
| - | (Gains) / losses from derecognition of financial assets carried at amortised cost | (2) |
| 25 | Interest received | 45 |
| (6,715) | Interest payable | (6,723) |
| **193,282** | **Net Cost of Police Services** | **215,200** |

The Total Net Expenditure in the Revenue Budget table is different to the Net Cost of Services reported in the CIES (shown on page 16) 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.

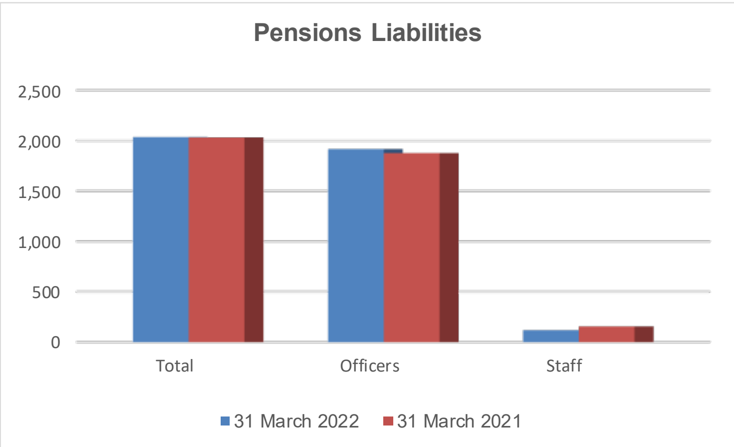
### Capital Budget

The Capital Programme for 2021/22, including slippage from 2020/21 and in-year approvals, was £16.601m. Actual expenditure against this total was £11.154m. The under-spend of £5.447m was primarily due to re-profiling of major estates schemes, vehicle replacements delayed as a consequence of issues in the supply chain and ICT schemes that are slipping into next financial year. Actual expenditure includes an amount of £0.225m 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 (£0.265m), revenue contributions (£4.742m), internal borrowing (£5.455m) and capital receipts (£0.467m).

### 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 £2,005m at 31 March 2022, 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.

### 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 £23.4m.

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 £31.8m.

### Reserves

As at 31 March 2022, the PCC has usable reserves of £22.892m which are available to support revenue and capital spending. These include a general reserve made up of earmarked balances of £17.883m (against which there are significant commitments), a general balance of £4.575m and unapplied capital grants of £0.434m. These reserves are not fully supported by cash balances, primarily due to capital expenditure in some prior years being financed from cash.

**Treasury Management**

The PCC has agreed a Treasury Management Strategy which complies with CIPFA guidance. During 2021/22, 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 2021/22 was £29.4m and the interest received against the budget of £0.150m was £0.045m. The overall return of 0.15% was 0.04% higher than the SONIA average of 0.11%.

**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

As has been the case in most police forces in England and Wales, crime reported to and recorded by Norfolk Constabulary has been affected by the Covid-19 pandemic and the resulting measures that were put in place across 2020 and 2021. In the 12 months to the end of March 2022 there were 68,025 recorded crimes, an increase of 5.1% compared to the long-term average (64,724). In-spite of this overall increase, there have been some variances in volumes across different crime types. Whilst increases have been recorded in domestic abuse, serious sexual offences, hate crime and online crime, a decrease in acquisitive crime reflects the differing impact of national lockdowns on crime trends. Considerable efforts continue to be 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, target perpetrators who cause the highest harm, continue robust operational responses to the threat of 'county lines' organised crime groups, tackle modern slavery, and target 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 change team 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. In particular, the funding from the council tax rise enabled the bolstering of problem solving expertise within Community Safety, to assist neighbourhood policing in tackling community issues.

The Police and Crime Plan of the former PCC has been extended to cover the financial year 2021-22 while the current PCC consulted on his new Police, Crime and Community Safety Plan (2022-2024). Therefore, for the reporting year the PCC's priorities for tackling crime in Norfolk remained as:

- 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. Further details will be published in the PCC's Annual Report in the autumn.

| Area | Indicator | 2020/21 | 2021/22 |
|---|---|---|---|
| **Domestic Abuse** | *Number of crimes* | 13,646 | 14,060 |
| | *Solved rate* | 10% | 9% |
| **Serious Sexual Offences** | *Number of crimes* | 2,040 | 2,614 |
| | *Solved rate* | 8% | 7% |
| **Child Sexual Abuse** | *Number of crimes* | 1,583 | 1508 |
| | *Solved rate* | 11% | 14% |
| **Hate Crime** | *Number of crimes* | 1,349 | 1,426 |
| | *Solved rate* | 12% | 11% |
| **Online Crime** | *Number of crimes* | 2,911 | 2,976 |
| | *Solved rate* | 9% | 9% |
| **Personal Property Crime** | *Number of crimes* | 9,642 | 9,728 |
| | *Solved rate* | 11% | 10% |
| **Call Handling** | *% 999 calls answered in 10 seconds* | 91% | 89% |
| **Emergency Response** | *% of emergencies responded to in target time* | 90% | 88% |
| **Road Safety** | *Number of KSI collisions* | 319 | 385 |

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, 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, volumes of some sexual offences (CSA) reduced. Where increases in crime are accompanied by reductions in solved rates, this is a reflection of the changing demand. 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 has maintained good performance despite 999 demand increasing between 2020/21 and 2021/22 and Covid-19 has impacted staffing levels in the CCR. The Force has invested funding achieved through the rise in council tax to improve the switchboard service within the CCR. This has enabled 95% of 101 calls to be answered within 30 seconds (the national target). Prior to this investment this rate had dipped to levels of 75%.

## 7. Impact of Covid-19 Pandemic, Exiting the EU and the Conflict in Ukraine

### Impact of Covid-19 pandemic

During 2021/22 Covid-19 has continued to have an impact on people's lives and on the economy. Related issues where relevant are highlighted within these 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) can be maintained and, in some cases, developed, to continue to perform effectively in a changing environment.

The extension of agile working ensured people were equipped with appropriate technology to enable them to work from home and this continues to a lesser extent currently. Hybrid working is now considered to normal practice within the organisation and plans are being drawn up to redesign office spaces to reflect the change. Virtual governance practices have been developed so that the PCC is still able to hold the Chief Constable to account and these practices have continued during the period of the accounts.

Owing to the changes which have taken place across the county other changes have resulted for the OPCCN. Many meetings with agencies that work with victims are now conducted in other ways, such as via phone or via Skype / Teams and this has been more efficient and effective in terms of costs and time. However, face to face meetings are starting to be put into diaries.

**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 enabled a consistent approach to our activity both in each force and across the extensive “joint” collaborated services. This structure initially operated a Gold-Silver-Bronze model with Gold Command operating across both forces, and a Silver Commander nominated in each force.

However, at the tail end of 2021, the silver role was amalgamated, and one Silver Commander was appointed for the two forces. A Strategic Gold plan was written which was implemented by the Silvers at an operational and tactical level. A review of the command structure took place as the infection rates started to reduce and alignment with business-as-usual activity commenced. Whilst the existing dedicated command structure will officially and formally be stood down from 10th June 2022, 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 when and as required.

Force sickness levels have been regularly monitored and despite the reducing infection rate since wholesale testing ceased, continue to be reviewed to enable any internal outbreaks to be appropriately responded to. Officers and staff who are symptomatic are advised to remain off work and those who are infected and who can effectively work from home continue to be supported to do so with the provision of mobile technology to support this approach.

Force sickness levels increased significantly at the start of 2022, notably as a result of the Omicron variant and although business continuity planning had been completed to enable a graduated response to service delivery if required, this was not necessary in the majority of departments. Some bespoke arrangements within the Control Room were initiated owing to higher sickness levels and staff shortages following high infection numbers and the need to continue to deliver this as a core service. Demand has now returned to what would be described as pre-Covid levels with custody throughput increasing and calls for service on or around anticipated levels.

Service provision from a Constabulary back-office perspective has continued to be less impacted than the operational services. Project work demand is high and is 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 (which are due to be removed in a controlled way from June 2022 onwards). 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 deadlines.

Improvements have been made to support hybrid working for roles where this is appropriate to do so in line with the joint Modern Workplace Programme being run in conjunction with Suffolk.

**Supply chain impact from Covid-19, Exiting the EU and the Conflict in Ukraine**

The Covid-19 pandemic 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 were generally re-establishing again but with countries responding to national Covid-19 surges the impact on lead times is still being monitored. Supply chain issues though have been further exacerbated by the UK exit from the EU which has led to delays at channel ports as well as compliance with HMRC rules. The conflict in Ukraine where a diverse range of raw materials and manufactured components and goods feed into supply chains is creating further delays and shortages. Generally, there has been a steep increase in shipping costs in the last few months due to congestion 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 anticipated that prices will increase although the impact of this is only now starting to materialise.

Major estate developments are now progressing but material lead in times have extended, material and labour costs have increased and tendered prices will not be held by bidders for the three plus months previously expected.

There are potential risks regarding provision of any equipment using semi-conductors, particularly for ICT equipment and vehicle production with some manufacturers currently slowing or temporarily ceasing production. Commercial Services works with affected departments and suppliers to mitigate risks where possible.

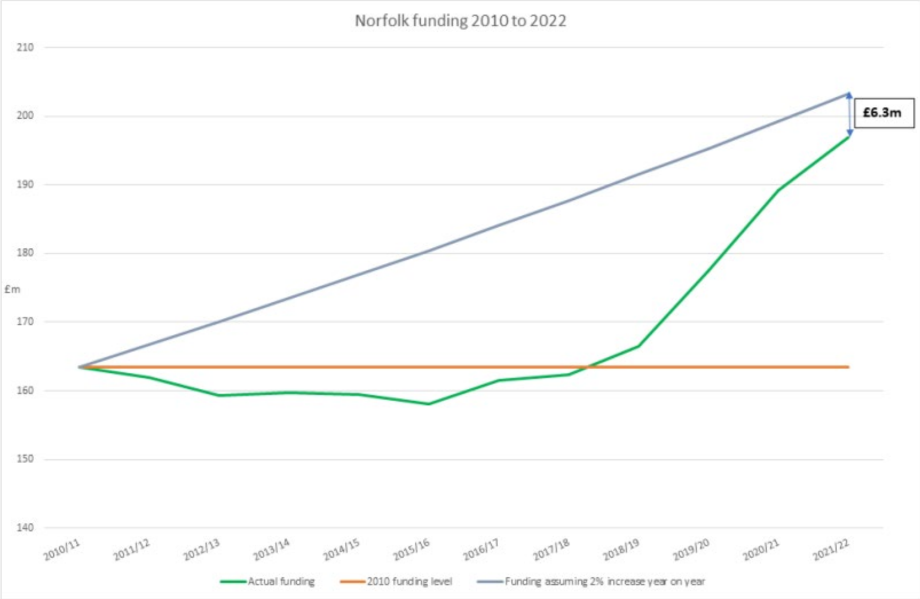
There has been some impact upon uniform supply both as a result of Covid-19 and the impact of direct imports from Europe. Some sources of uniform manufacture have been affected by increases in recruitment but alternative routes to market have been found to fill the gap. Ballistic protection body armour is imported direct from Germany and has thus been affected by import and delivery charges as a result of exiting the EU.

Over the whole supply chain there is considerable inflationary pressure exacerbated by increasing material, labour and transport costs. Commercial Services will always endeavour to mitigate price increases and seek alternative sources of supply but it is inevitable that increases will need to be met.

## 8. Funding Settlement 2021/22 and beyond

The police service has been through over 10 years of austerity, although it is recognised that the settlements since 2019/20 have started to restore some of the loss of annual funding. The graph below shows the amount of cash received by Norfolk Constabulary from the main Home Office grant, precept from households in Norfolk, plus all specific grants. Cash levels only exceeded those of 2010/11 for the first time in 2018/19. The blue line represents the amount of money the force would have received if their grants and precept had risen broadly in line with inflation of 2% each
Year.

This shows that the force has absorbed significant amounts of inflation over that time and as of 2021/22 still has £6.3m less than 2010 in real terms. When you add the impact of other statutory and legislative changes that have increased costs to the organisation (e.g. increases to National Insurance, Pensions and Insurance tax) that amount to around £10m a year, and further add in the changing nature of crime that requires more expensive investigations and more kit and equipment with an annual refresh of around £4m a year it can be seen the amount the force has absorbed is even higher totalling circa £20m a year.




In response, every year cashable savings and efficiencies have been identified. The savings help to finance the demand pressures, cover inflation costs and balance the budget. By the 31st March 2022 the Constabulary has made savings of over £40m from their annual budgets.

Covid 19 has continued to have a major impact on everyone's lives within the United Kingdom, as well as on every sector of the economy. Following the first lockdown on the 23rd March 2020, the country went through a series of further lockdowns and restrictions for over a year that have now been able to be reduced due to the success of the vaccination programme.

Clearly the pandemic has had a massive impact on the economy with GDP for 2020 falling by 9.9%, the largest annual fall in 300 years, and with peacetime borrowing levels at their highest ever level.

As part of the Chancellor's Autumn Budget on 27th October 2021, he announced a 3- year Spending Review (SR21) for government departments including the Home Office. The budget and SR21 outlined the government's response to the recovery from the pandemic and a period of significant uncertainty.

However, while the settlement for Norfolk is relatively positive for 2022/23, and a 3-year settlement for the Home Office has been outlined, it is clear that challenging times continue in the medium-term. These include the requirement to fund the significant rise in inflationary pressures caused by ongoing global factors, tackle increasing demand on policing, and the increasing complexity and cost of investigations, and manage pressures from other local, regional and national programmes and statutory changes. With the government targets on increasing police officer numbers and maintaining them through to at least 2024/25, savings requirements will have to be met from a significantly smaller proportion of our budget that excludes officer pay.

The 3-year spending review confirmed the continuation of funding for the recruitment of 20,000 additional officers for England and Wales (the Police Uplift Programme or PUP). Nationally, £550m of funding has been made available for 2022/23 to recruit another 8,000 officers (in addition to the first 12,000 officers recruited in the first two years of the programme).

| | 2021/22 | 2022/23 | Variance | |
|---|---|---|---|---|
| | £000 | £000 | £000 | % |
| Police Core Grant | 90,864 | 96,298 | 5,434 | 5.98% |
| Ringfenced Grant (Uplift) | 1,119 | 1,510 | 391 | 34.94% |
| Legacy Council Tax Grants | 9,305 | 9,305 | 0 | 0% |
| **Total all Grants** | **101,288** | **107,113** | **5,825** | **5.75%** |

The government funding for PUP for 2022/23 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 £1.5m of funding is linked to achieving the Uplift targets.

As part of the Spending Review, PCCs were given the flexibility to increase the precept by up to £10 per annum (15 pence per week at Band B/ 19 pence at Band D) without the need to go to a referendum. Following a period of consultation with the public the PCC took the decision to raise the precept by the maximum allowed. By doing this, the PCC has been able to provide funding to help maintain current levels of service and enable your police service to tackle the new challenges they are facing.

However, while the spending review set out a 3-year settlement for the Home Office and confirmed PCCs have the flexibility to raise the precept by £10 per year over the 3-year SR21 period, the settlement for forces only outlined detail for 2022/23. This leaves some uncertainty on the financial detail going forward.

Given the ongoing global economic issues, and the significant pressure on inflationary costs, 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. 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 2022/23 to 2025/26 and these can be found at the address below:

Police budget consultation Report to the Police and Crime Panel

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 2022

| Gross Expenditure 2020/21 £000 | Income 2020/21 £000 | Net Expenditure 2020/21 £000 | | Note | Gross Expenditure 2021/22 £000 | Income 2021/22 £000 | Net Expenditure 2021/22 £000 |
|---|---|---|---|---|---|---|---|
| | | | **Division of service:** | | | | |
| 206,550 | (19,472) | 187,078 | Constabulary | | 234,982 | (23,842) | 211,140 |
| 14,919 | (9,890) | 5,029 | Office of the PCC | | 12,199 | (9,598) | 2,602 |
| 3,152 | (1,977) | 1,175 | PCC commissioning | | 3,722 | (2,264) | 1,458 |
| **224,621** | **(31,338)** | **193,282** | **Net cost of police services** | | **250,904** | **(35,704)** | **215,200** |
| | | | **Other operating expenditure:** | | | | |
| - | (19,076) | (19,076) | Home Office contribution to police pensions | **(i)** | - | (20,574) | (20,574) |
| - | (98) | (98) | Loss / (profit) on disposal of fixed assets | | - | (126) | (126) |
| **-** | **(19,174)** | **(19,174)** | | | **-** | **(20,700)** | **(20,700)** |
| | | | **Financing and investment income and expenditure:** | | | | |
| 6,715 | - | 6,715 | Interest payable and similar charges | | 6,723 | - | 6,723 |
| 39,945 | - | 39,945 | Pensions interest cost | **16** | 40,893 | - | 40,893 |
| - | (25) | (25) | Interest and investment income | | - | (45) | (45) |
| - | - | - | (Gains) / losses from derecognition of financial assets carried at amortised cost | | 2 | - | 2 |
| **46,660** | **(25)** | **46,635** | | | **47,618** | **(45)** | **47,573** |
| | | | **Taxation and non-specific grant Income:** | | | | |
| - | (64,124) | (64,124) | General grants | **7** | - | (67,544) | (67,544) |
| - | (305) | (305) | Capital grants and contributions | | - | (335) | (335) |
| - | (30,910) | (30,910) | Former DLUHC funding | **7** | - | (32,561) | (32,561) |
| - | (78,602) | (78,602) | Precepts | **11** | - | (84,044) | (84,044) |
| **-** | **(173,942)** | **(173,942)** | | | **-** | **(184,483)** | **(184,483)** |
| | | **46,802** | **Deficit / (surplus) on the provision of services** | | | | **57,590** |
| | | | **Other comprehensive income and expenditure:** | | | | |
| | | (6,334) | (Surplus) / deficit on the revaluation of assets | **13** | | | (4,092) |
| | | 215,755 | Remeasurements of the net defined benefit liability | **16** | | | (55,843) |
| | | **209,421** | | | | | **(59,935)** |
| | | **256,223** | **Total comprehensive income and expenditure** | | | | **(2,345)** |

(i) Details within the Police Pension Fund Account Statement

## Comprehensive Income and Expenditure Statement for the PCC
## for the year ended 31 March 2022

| Gross Expenditure 2020/21 £000 | Income 2020/21 £000 | Net Expenditure 2020/21 £000 | | Note | Gross Expenditure 2021/22 £000 | Income 2021/22 £000 | Net Expenditure 2021/22 £000 |
|---|---|---|---|---|---|---|---|
| | | | **Division of service:** | | | | |
| 14,919 | (9,890) | 5,029 | Office of the PCC | | 12,199 | (9,598) | 2,602 |
| 3,152 | (1,977) | 1,175 | PCC commissioning | | 3,722 | (2,264) | 1,458 |
| **18,071** | **(11,867)** | **6,204** | **Net cost of police services before group funding** | | **15,922** | **(11,862)** | **4,060** |
| 181,730 | - | 181,730 | Intra-group funding | **5** | 193,251 | - | 193,251 |
| **199,800** | **(11,867)** | **187,934** | **Net cost of police services** | | **209,173** | **(11,862)** | **197,311** |
| | | | **Other operating expenditure:** | | | | |
| - | (19,076) | (19,076) | Home Office contribution to police pensions | **(i)** | - | (20,574) | (20,574) |
| - | (98) | (98) | Loss / (profit) on disposal of fixed assets | | - | (126) | (126) |
| **-** | **(19,174)** | **(19,174)** | | | **-** | **(20,700)** | **(20,700)** |
| | | | **Financing and investment income and expenditure:** | | | | |
| 6,715 | - | 6,715 | Interest payable and similar charges | | 6,723 | - | 6,723 |
| 38 | - | 38 | Pensions interest cost | **16** | 62 | - | 62 |
| - | (25) | (25) | Interest and investment income | | - | (45) | (45) |
| **6,753** | **(25)** | **6,728** | | | **6,787** | **(45)** | **6,742** |
| | | | **Taxation and non-specific grant income:** | | | | |
| - | (64,124) | (64,124) | General grants | **7** | - | (67,544) | (67,544) |
| - | (305) | (305) | Capital grants and contributions | | - | (335) | (335) |
| - | (30,910) | (30,910) | Former DLUHC funding | **7** | - | (32,561) | (32,561) |
| - | (78,602) | (78,602) | Precepts | **11** | - | (84,044) | (84,044) |
| **-** | **(173,942)** | **(173,942)** | | | **-** | **(184,483)** | **(184,483)** |
| | | **1,546** | **Deficit / (surplus) on the provision of services** | | | | **(1,130)** |
| | | | **Other comprehensive income and expenditure:** | | | | |
| | | (6,334) | (Surplus) / deficit on the revaluation of assets | **13** | | | (4,092) |
| | | 1,145 | Remeasurements of the net defined benefit liability | **16** | | | (742) |
| | | **(5,189)** | | | | | **(4,834)** |
| | | **(3,643)** | **Total comprehensive income and expenditure** | | | | **(5,964)** |

# Balance Sheet for the PCC for Norfolk Group and the PCC of Norfolk as at 31 March 2022

| Group 31 March 2021 £000 | PCC 31 March 2021 £000 | | Notes | Group 31 March 2022 £000 | PCC 31 March 2022 £000 |
|---|---|---|---|---|---|
| 95,314 | 95,314 | Property, plant and equipment | **13** | 101,543 | 101,543 |
| 2,441 | 2,441 | Intangible assets | **13** | 2,154 | 2,154 |
| 97,755 | 97,755 | **Total long term assets** | | 103,697 | 103,697 |
| 584 | 584 | Inventories | | 673 | 673 |
| 14,173 | 14,173 | Short term debtors, prepayments & deferred costs | **18** | 21,616 | 21,616 |
| 12,756 | 12,756 | Cash and cash equivalents | **19** | 13,416 | 13,416 |
| - | - | Short term investments | **17** | 2,001 | 2,001 |
| 321 | 321 | Assets held for sale | **20** | 492 | 492 |
| 27,834 | 27,834 | **Current assets** | | 38,199 | 38,199 |
| **125,589** | **125,589** | **TOTAL ASSETS** | | **141,896** | **141,896** |
| 19,463 | 17,871 | Short-term creditors and accruals | **21** | 21,635 | 20,060 |
| 290 | 290 | Short term borrowing | **23** | 1,761 | 1,761 |
| 1,263 | 1,263 | Provisions | **25** | 1,616 | 1,616 |
| 53 | 53 | Short term grants receipts in advance | | 64 | 64 |
| 1,383 | 1,383 | PFI liabilities | **15** | 1,770 | 1,770 |
| 22,452 | 20,861 | **Current liabilities** | | 26,845 | 25,270 |
| 2,031,956 | 2,886 | Other long term liabilities | **16** | 2,035,116 | 2,411 |
| 23,563 | 23,563 | Long term borrowing | **23** | 31,732 | 31,732 |
| 55,220 | 55,220 | PFI liabilities | **15** | 53,451 | 53,451 |
| 2 | 2 | Grants receipts in advance | | 12 | 12 |
| 2,110,741 | 81,671 | **Long term liabilities** | | 2,120,310 | 87,605 |
| **2,133,194** | **102,532** | **TOTAL LIABILITIES** | | **2,147,155** | **112,875** |
| **(2,007,604)** | **23,058** | **NET ASSETS / (LIABILITIES)** | | **(2,005,260)** | **29,021** |
| 21,451 | 21,454 | Usable reserves | **(ii)** | 22,892 | 22,892 |
| (2,029,055) | 1,605 | Unusable reserves | **28** | (2,028,151) | 6,129 |
| **(2,007,604)** | **23,060** | **TOTAL RESERVES** | | **(2,005,260)** | **29,021** |

**These unaudited financial statements were issued on …………… 2022.**

**Jill Penn CPFA, ACMA, MSc**
**Chief Finance Officer**
**2022**

(ii) Details within the Movement in Reserves Statement

## Movement in Reserves Statement for the PCC for Norfolk Group

| Year Ended 31 March 2022 | 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 2021** | | **21,088** | **-** | **364** | **21,452** | **(2,029,055)** | **(2,007,604)** |
| | | | | | | | |
| **Movement in reserves during 2021/22** | | | | | | | |
| Surplus or (deficit) on provision of services (accounting basis) | **(iii)** | (57,590) | - | - | **(57,590)** | **-** | **(57,590)** |
| Other comprehensive income and expenditure | **(iii)** | - | - | - | **-** | **59,935** | **59,935** |
| **Total comprehensive income and expenditure** | | **(57,590)** | **-** | **-** | **(57,590)** | **59,935** | **2,345** |
| | | | | | | | |
| Amortisation of intangible assets | **13** | 938 | - | - | **938** | **(938)** | **-** |
| Depreciation on property, plant and equipment | **13** | 7,110 | - | - | **7,110** | **(7,110)** | **-** |
| Revaluation losses on property, plant and equipment | **13** | 519 | - | - | **519** | **(519)** | **-** |
| Capital grants and contributions credited to the CIES | **(iii)** | (335) | - | 335 | **-** | **-** | **-** |
| Application of capital grants from unapplied account | | - | - | (265) | **(265)** | **265** | **-** |
| Net gain or loss on the sale of non-current assets | **(iii)** | (126) | 467 | - | **340** | **(340)** | **-** |
| Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements | | 79,577 | - | - | **79,577** | **(79,577)** | **-** |
| Movement on the Collection Fund Adjustment Account | | (1,155) | - | - | **(1,155)** | **1,155** | **-** |
| Capital expenditure charged to the General Fund Balance | **14** | (4,742) | - | - | **(4,742)** | **4,742** | **-** |
| Statutory provision for the repayment of debt | **14** | (2,236) | - | - | **(2,236)** | **2,236** | **-** |
| Contribution to the Police Pension Fund | **(iii)** | (20,574) | - | - | **(20,574)** | **20,574** | **-** |
| Movement on the Compensated Absences Account | | (16) | - | - | **(16)** | **16** | **-** |
| Use of capital receipts to fund asset purchases | | - | (467) | - | **(467)** | **467** | **-** |
| **Adjustments between accounting basis and funding basis under regulations** | | **58,960** | **-** | **70** | **59,030** | **(59,030)** | **-** |
| **Increase / (decrease) in year** | | **1,371** | **-** | **70** | **1,440** | **905** | **2,345** |
| | | | | | | | |
| **Balance at 31 March 2022** | | **22,458** | **-** | **434** | **22,892** | **(2,028,152)** | **(2,005,259)** |

(iii) Details within the Comprehensive Income and Expenditure Statement

| 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) | **(iii)** | (46,802) | - | - | **(46,802)** | **-** | **(46,802)** |
| Other comprehensive income and expenditure | **(iii)** | - | - | - | **-** | **(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 | **(iii)** | (305) | - | 305 | **-** | **-** | **-** |
| Application of capital grants from unapplied account | | - | - | (242) | **(242)** | **242** | **-** |
| Net gain or loss on the sale of non-current assets | **(iii)** | (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 | **(iii)** | (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)** | **(256,224)** |
| **Balance at 31 March 2021** | | **21,088** | **-** | **364** | **21,452** | **(2,029,055)** | **(2,007,604)** |

## Movement in Reserves Statement for the PCC for Norfolk

| Year Ended 31 March 2022 | 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 2021** | | **21,091** | **-** | **364** | **21,454** | **1,605** | **23,058** |
| | | | | | | | |
| **Movement in reserves during 2021/22** | | | | | | | |
| Surplus or (deficit) on provision of services (accounting basis) | **(iii)** | 1,130 | - | - | **1,130** | **-** | **1,130** |
| Other comprehensive income and expenditure | **(iii)** | - | - | - | **-** | **4,834** | **4,834** |
| **Total comprehensive income and expenditure** | | **1,130** | **-** | **-** | **1,130** | **4,834** | **5,964** |
| | | | | | | | |
| Amortisation of intangible assets | **13** | 938 | - | - | **938** | **(938)** | **-** |
| Depreciation on property, plant and equipment | **13** | 7,110 | - | - | **7,110** | **(7,110)** | **-** |
| Revaluation losses on property, plant and equipment | **13** | 519 | - | - | **519** | **(519)** | **-** |
| Capital grants and contributions credited to the CIES | **(iii)** | (335) | - | 335 | **-** | **-** | **-** |
| Application of capital grants from unapplied account | | - | - | (265) | **(265)** | **265** | **-** |
| Net gain or loss on the sale of non-current assets | **(iii)** | (126) | 467 | - | **340** | **(340)** | **-** |
| Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements | | 268 | - | - | **268** | **(268)** | **-** |
| Movement on the Collection Fund Adjustment Account | | (1,155) | - | - | **(1,155)** | **1,155** | **-** |
| Capital expenditure charged to the General Fund Balance | **14** | (4,742) | - | - | **(4,742)** | **4,742** | **-** |
| Statutory provision for the repayment of debt | **14** | (2,236) | - | - | **(2,236)** | **2,236** | **-** |
| Use of capital receipts to fund asset purchases | | - | (467) | - | **(467)** | **467** | **-** |
| **Adjustments between accounting basis and funding basis under regulations** | | **241** | **-** | **70** | **311** | **(311)** | **-** |
| **Increase / (decrease) in year** | | **1,371** | **-** | **70** | **1,441** | **4,523** | **5,965** |
| | | | | | | | |
| **Balance at 31 March 2022** | | **22,458** | **-** | **434** | **22,892** | **6,129** | **29,020** |

| 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** | **19,414** |
| **Movement in reserves during 2020/21** | | | | | | | |
| Surplus or (deficit) on provision of services (accounting basis) | **(iii)** | (1,546) | - | - | **(1,546)** | **-** | **(1,546)** |
| Other comprehensive income and expenditure | **(iii)** | - | - | - | **-** | **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 | **(iii)** | (305) | - | 305 | **-** | **-** | **-** |
| Application of capital grants from unapplied account | | - | - | (242) | **(242)** | **242** | **-** |
| Net gain or loss on the sale of non-current assets | **(iii)** | (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** | | **21,091** | **-** | **364** | **21,454** | **1,605** | **23,058** |

## Cash flow Statement for the PCC for Norfolk Group and PCC for Norfolk
## For the year ended 31 March 2022

| Group 2020/21 £000 | PCC 2020/21 £000 | | Note | Group 2021/22 £000 | PCC 2021/22 £000 |
|---|---|---|---|---|---|
| **(46,802)** | **(1,546)** | **Net surplus/(deficit) on the provision of services** | **(iii)** | **(57,590)** | **1,130** |
| 58,444 | 13,188 | Adjustment for non cash or cash equivalent movements | **22** | 61,821 | 3,101 |
| (305) | (305) | Capital grants and contributions | **(iii)** | (335) | (335) |
| **11,336** | **11,335** | **Net cash flows from operating activities** | | **3,896** | **3,896** |
| | | **Investing activities** | | | |
| (11,774) | (11,774) | Purchase of non current assets | | (10,262) | (10,262) |
| (26,000) | (26,000) | Purchase of short-term or long term investments | | (18,000) | (18,000) |
| 423 | 423 | Proceeds from the sale of non currents assets | | 467 | 467 |
| 29,000 | 29,000 | Proceeds from short-term or long-term investments | | 16,000 | 16,000 |
| **(8,351)** | **(8,351)** | **Net cash flows from investing activities** | | **(11,795)** | **(11,795)** |
| | | **Financing activities** | | | |
| - | - | Cash receipts of short and long-term borrowing | | 10,000 | 10,000 |
| 305 | 305 | Other receipts from financing activities | | 335 | 335 |
| (1,260) | (1,260) | Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts | | (1,383) | (1,383) |
| (175) | (175) | Repayments of short and long-term borrowing | | (393) | (393) |
| **(1,129)** | **(1,129)** | **Net cash flows from financing activities** | | **8,558** | **8,558** |
| **1,856** | **1,855** | **Net increase or (decrease) in cash and cash equivalents** | | **659** | **661** |
| 10,900 | 10,900 | Cash and cash equivalents at the beginning of the reporting period | **19** | 12,756 | 12,756 |
| **12,756** | **12,755** | **Cash and cash equivalents at the end of the reporting period** | **19** | **13,416** | **13,416** |

## 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 2020/21 £000 | Group Position | Net Expenditure Chargeable to the General Fund Balances £000 | Adjustments between Funding and Accounting Basis £000 | Net Expenditure in the CIES 2021/22 £000 |
|---|---|---|---|---|---|---|
| | | | **Year ended 31 March** | | | |
| 162,656 | 24,423 | 187,078 | Constabulary | 172,677 | 38,463 | 211,140 |
| (6,253) | 11,282 | 5,029 | Office of the PCC | (6,171) | 8,773 | 2,602 |
| 1,175 | - | 1,175 | PCC commissioning | 1,458 | - | 1,458 |
| **157,578** | **35,705** | **193,282** | **Net cost of police services** | **167,963** | **47,236** | **215,200** |
| (160,221) | 13,741 | (146,480) | Other income and expenditure | (169,335) | 11,725 | (157,610) |
| **(2,643)** | **49,446** | **46,802** | **Deficit/(surplus) on the provision of services** | **(1,372)** | **58,961** | **57,590** |
| 18,446 | | | Opening general fund balance at 1 April | 21,090 | | |
| **21,090** | | | **Closing general fund balance at 31 March** | **22,458** | | |

# 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 2020/21 £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 2021/22 £000 |
|---|---|---|---|---|---|---|
| | | | **Year ended 31 March** | | | |
| (6,253) | 11,282 | 5,029 | Office of the PCC | (6,171) | 8,773 | 2,602 |
| 1,175 | - | 1,175 | PCC commissioning | 1,458 | - | 1,458 |
| 181,730 | - | 181,730 | Intra-group funding | 193,251 | - | 193,251 |
| **176,652** | **11,282** | **187,934** | **Net cost of police services** | **188,538** | **8,773** | **197,311** |
| (179,297) | (7,090) | (186,387) | Other income and expenditure | (189,909) | (8,532) | (198,441) |
| **(2,644)** | **4,191** | **1,546** | **Deficit/(surplus) on the provision of services** | **(1,371)** | **241** | **(1,130)** |
| 18,446 | | | Opening general fund balance at 1 April | 21,090 | | |
| **21,090** | | | **Closing general fund balance at 31 March** | **22,458** | | |

# 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 2021/22 financial year and its position at the year-end of 31 March 2022. 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.

<u>Discretionary Benefits</u>

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

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

**Events after the reporting period**

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

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

disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

**Financial Instruments**

Financial Liabilities

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

**Government grants and contributions**

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

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

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

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

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

**Investment policy**

The PCC works closely with its external treasury advisors Link 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 2021/22 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

**Joint operations and joint assets**

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

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

**Leases**

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

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

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

The PCC as Lessee

*Finance Leases*

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

Lease payments are apportioned between:

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

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

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

*Operating Leases*

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

The PCC as Lessor

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the net cost of 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 2022/23 Code are:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.

Note that this is based on the current position as agreed by CIPFA/LASAAC but the Code has not yet been subject to full due process so this might be subject to change.

Application of the Standards referred to above, as adopted by the Code, is required by 1 April 2022, and these standards will be initially adopted as at 1 April 2022, where applicable. 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 2022/23 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 external audit and finance teams, the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of this standard for a further three years in total. This will mean the effective date for implementation is now 1 April 2024. Local Government bodies can elect to implement the standard from 1 April 2022 if desired. The PCC for Norfolk is in a good position to adopt the standard early, however a final decision will be made following discussion with external auditor and once all factors are considered.

## 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 2022/23 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 2021/22 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% (PPS) and 0.1% (LGPS) decrease in the discount rate assumption would result in an increase in the pension liability of £196.7m.

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 2021 to 31 March 2022.

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 £14.4m

Property £64.7m

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.

Property valuations are prepared on a five year rolling basis, however to ensure there is no material difference between the carrying value and current value, major assets are valued on an annual basis.

Properties are not held for profit or sale, nor are they held as security against financial borrowing, therefore valuation uncertainty around estimates does not result in significant risk to the Constabulary.

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 | (791) | (7,915) | (15,830) |
| Change in the revaluation reserve | (693) | (6,807) | (13,181) |
| Additional charge to Other Comprehensive | 99 | 1,108 | 2,649 |

Insurance Provisions

Insurance provisions are made where there is an expected financial settlement or an incurrence of cost. Estimations are predicated on a worse case basis on information to hand at 31 March 2022. In many cases, actual costs turn out less than the carrying provision, however in some cases settlement and costs turn out to be higher than the carrying provision as more information regarding an event becomes available.

## 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 2020/21 £000 | Group Position | Adjustment for Capital Purposes £000 | Net Change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments 2021/22 £000 |
|---|---|---|---|---|---|---|---|---|
| - | 23,864 | 559 | 24,423 | Constabulary | - | 38,478 | (15) | 38,463 |
| 11,210 | 72 | - | 11,282 | Office of the PCC | 8,567 | 206 | - | 8,773 |
| - | - | - | - | PCC commissioning | - | - | - | - |
| **11,210** | **23,936** | **559** | **35,704** | **Net Cost of Police Services** | **8,567** | **38,684** | **(15)** | **47,236** |
| (8,454) | 20,869 | 1,326 | 13,741 | Other income and expenditure | (7,439) | 20,319 | (1,155) | 11,725 |
| **2,756** | **44,805** | **1,884** | **49,445** | **Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)** | **1,129** | **59,003** | **(1,171)** | **58,961** |

### 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 2020/21 £000 | Office of the PCC | Adjustment for Capital Purposes £000 | Net Change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments 2021/22 £000 |
|---|---|---|---|---|---|---|---|---|
| 11,210 | 72 | - | 11,282 | Office of the PCC | 8,567 | 206 | - | 8,773 |
| - | - | - | - | PCC commissioning | - | - | - | - |
| **11,210** | **72** | **-** | **11,282** | **Net Cost of Police Services** | **8,567** | **206** | **-** | **8,773** |
| (8,454) | 38 | 1,326 | (7,090) | Other income and expenditure | (7,439) | 62 | (1,155) | (8,532) |
| **2,756** | **110** | **1,326** | **4,191** | **Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)** | **1,129** | **268** | **(1,155)** | **241** |

**Expenditure and Income Analysed by Nature**

| Total Constab' £000 | Total Office of the PCC £000 | Total PCC's Comm' £000 | Total Group 2020/21 £000 | Total PCC 2020/21 £000 | | Total Constab' £000 | Total Office of the PCC £000 | Total PCC's Comm' £000 | Total Group 2021/22 £000 | Total PCC 2021/22 £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | **Expenditure** | | | | | |
| 177,454 | 771 | 425 | **178,650** | **1,196** | Employee benefits expenses | 202,192 | 899 | 663 | **203,753** | **1,562** |
| 29,096 | 2,937 | 2,727 | **34,761** | **5,665** | Other service expenditure | 32,791 | 2,733 | 3,059 | **38,583** | **5,792** |
| - | 11,210 | - | **11,210** | **11,210** | Depreciation, amortisation & impairment | - | 8,567 | - | **8,567** | **8,567** |
| 39,907 | 38 | - | **39,945** | **38** | Net pensions interest cost | 40,831 | 62 | - | **40,893** | **62** |
| - | 6,715 | - | **6,715** | **6,715** | Interest payments | - | 6,723 | - | **6,723** | **6,723** |
| - | - | - | **-** | **-** | (Gains) / losses from derecognition of financial assets carried at amortised cost | - | 2 | - | **2** | **2** |
| **246,457** | **21,671** | **3,152** | **271,281** | **24,824** | **Total Expenditure** | **275,813** | **18,987** | **3,722** | **298,522** | **22,709** |
| | | | | | **Income** | | | | | |
| (6,974) | (277) | (126) | **(7,377)** | **(404)** | Fees, charges and other service income | (8,885) | (220) | (649) | **(9,754)** | **(869)** |
| - | (25) | - | **(25)** | **(25)** | Interest and investment income | - | (45) | - | **(45)** | **(45)** |
| - | (78,602) | - | **(78,602)** | **(78,602)** | Income from council tax | - | (84,044) | - | **(84,044)** | **(84,044)** |
| (12,498) | (124,028) | (1,851) | **(138,377)** | **(125,878)** | Government grants and contributions | (14,957) | (130,391) | (1,616) | **(146,964)** | **(132,006)** |
| - | (98) | - | **(98)** | **(98)** | Gain on the disposal of assets | - | (126) | - | **(126)** | **(126)** |
| **(19,472)** | **(203,030)** | **(1,977)** | **(224,479)** | **(205,007)** | **Total Income** | **(23,842)** | **(214,826)** | **(2,264)** | **(240,933)** | **(217,090)** |
| **226,985** | **(181,358)** | **1,175** | **46,802** | **(180,183)** | **Deficit/(Surplus) on the Provision of Services** | **251,971** | **(195,839)** | **1,458** | **57,590** | **(194,382)** |
| | **181,730** | | | **181,730** | Intra Group Funding | | **193,251** | | | **193,251** |
| | **371** | **1,175** | | **1,546** | **Deficit/(Surplus) on the Provision of Services after Intra Group Funding (Total PCC Only)** | | **(2,588)** | **1,458** | | **(1,130)** |

## 7. Government Grants

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

| | Group | | PCC | |
|---|---|---|---|---|
| | Amount Receivable for 21/22 £000 | Amount Receivable for 20/21 £000 | Amount Receivable for 21/22 £000 | Amount Receivable for 20/21 £000 |
| **Credited to Taxation and Non Specific Grant Income** | | | | |
| General police grant | 58,303 | 54,566 | 58,303 | 54,566 |
| 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 | (63) | 254 | (63) | 254 |
| Capital grants and contributions | 237 | 224 | 237 | 224 |
| Former DLUHC funding | 32,561 | 30,910 | 32,561 | 30,910 |
| Precepts | 84,044 | 78,602 | 84,044 | 78,602 |
| | **184,386** | **173,860** | **184,386** | **173,860** |
| **Credited to Other Operating Expenditure** | | | | |
| Home Office contribution to police pensions | 20,574 | 19,076 | 20,574 | 19,076 |
| | **20,574** | **19,076** | **20,574** | **19,076** |
| **Credited to Services** | | | | |
| Police incentivisation | 337 | 224 | - | - |
| 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 | 1,401 | 736 | - | - |
| Other specific grants | 15,889 | 14,678 | 4,235 | 4,705 |
| | **25,950** | **23,961** | **10,993** | **11,463** |

Other specific grants credited to services for the Group include £3.0m Operation Hydrant, a Specific Home Office Grant of £3.3m, £2.7m TOEX (tackling organised exploitation) grant, £1.2m 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 2021/22 were as follows:

| Group | | | OPCC | |
|---|---|---|---|---|
| 2021/22 | 2020/21 | | 2021/22 | 2020/21 |
| | | Remuneration | | |
| 20 | 11 | £50,000 - £54,999 | - | 1 |
| 8 | 11 | £55,000 - £59,999 | - | 1 |
| 10 | 6 | £60,000 - £64,999 | 2 | - |
| 3 | 4 | £65,000 - £69,999 | - | - |
| 5 | 6 | £70,000 - £74,999 | 1 | 2 |
| 2 | 2 | £75,000 - £79,999 | - | - |
| 1 | 2 | £80,000 - £84,999 | - | - |
| 3 | 4 | £85,000 - £89,999 | - | - |
| 4 | 1 | £90,000 - £94,999 | - | - |
| 3 | 2 | £95,000 - £99,999 | - | - |
| 1 | 1 | £105,000 - £109,999 | - | 1 |
| 1 | 2 | £110,000 - £114,999 | 1 | - |
| 1 | - | £120,000 - £124,999 | - | - |
| 1 | 1 | £125,000 - £129,999 | - | - |
| | 1 | £130,000 - £135,999 | - | - |
| 1 | 1 | £135,000 - £139,999 | - | - |
| 1 | - | £160,000 - £164,999 | - | - |
| | 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 |
|---|---|---|---|---|
| **2021/22** | | | | |
| **Position held** | | | | |
| • Chief Constable - Simon Bailey (to 30.6.21) | 45 | - | 7 | 52 |
| • Chief Constable - Paul Sanford (from 2.12.21) | 161 | 42 | 7 | 210 |
| Temporary Chief Constable (from 1.7.21 to 1.12.21) | | | | |
| Deputy Chief Constable (to 30.6.21) | | | | |
| • Temporary Deputy Chief Constable (from 14.6.21) | 129 | 37 | - | 166 |
| Assistant Chief Constable (to 13.6.21) | | | | |
| • Assistant Chief Constable | 135 | 31 | - | 166 |
| • Temporary Assistant Chief Constable (to 13.6.21) | 97 | 28 | - | 125 |
| • Assistant Chief Officer | 113 | 19 | - | 132 |
| • Police and Crime Commissioner (to 12.5.21) | 8 | 0 | - | 8 |
| • Police and Crime Commissioner (from 13.5.21) | 65 | 11 | 2 | 78 |
| • Chief Executive (PCC) | 120 | 21 | - | 141 |
| • CFO (PCC) - 0.6 FTE | 48 | 9 | - | 57 |
| **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 31.8.20) | | | | |
| • Assistant Chief Constable (from 1.5.20) | 130 | 35 | - | 165 |
| Temporary Assistant Chief Constable (to 30.4.20) | | | | |
| • 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 |

During 2021/22, a chief officer from Norfolk Constabulary acted as an Assistant Chief Constable (ACC) until 13.6.21 in a joint capacity, Suffolk Constabulary contributed 43.3% towards the cost of this post.

From 14.6.21 a Suffolk Constabulary officer acted as a Temporary ACC in a joint capacity, Norfolk Constabulary contributed 56.7% 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| £000 | | | | | | | £000 | £000 |
| **Group** | | | | | | | | |
| 0-20 | 17 | - | 2 | 2 | 19 | 2 | 188 | 16 |
| 20-40 | 10 | - | - | - | 10 | - | 275 | - |
| 40-60 | 1 | - | - | - | 1 | - | 42 | - |
| 80-100 | - | 1 | - | - | - | 1 | - | 82 |
| | 28 | 1 | 2 | 2 | 30 | 3 | 505 | 97 |

## 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 2021/22 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 Restated | Justice Services £000 Restated | Protective Services £000 | County Policing £000 | Total £000 |
|---|---|---|---|---|---|
| **2021/22** | | | | | |
| Suffolk PCC | 18,958 | 12,217 | 16,227 | 1,579 | 48,982 |
| Norfolk PCC | 24,825 | 15,998 | 21,249 | 2,068 | 64,141 |
| **Total shared running costs** | **43,783** | **28,215** | **37,477** | **3,648** | **113,123** |
| **2020/21** | | | | | |
| Suffolk PCC | 18,158 | 11,282 | 15,586 | 1,660 | 46,686 |
| Norfolk PCC | 23,874 | 14,834 | 20,493 | 2,182 | 61,383 |
| **Total shared running costs** | **42,032** | **26,116** | **36,079** | **3,842** | **108,069** |

Prior year comparators have been restated as units within the reporting segments have moved, total values have not changed.

### 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 in relation to ERSOU (Eastern Region Specialist Operation Unit) is as follows:

| | Total 2021/22 £000 | Total 2020/21 £000 |
|---|---|---|
| Operating costs | 23,785 | 20,231 |
| Specific Home Office grant | (6,785) | (4,796) |
| Other income | - | - |
| **Total deficit/ (surplus) for the year** | **17,000** | **15,435** |
| Contributions from forces: | | |
| Bedfordshire | (1,951) | (1,746) |
| Cambridgeshire | (2,503) | (2,224) |
| Essex | (1,895) | (1,735) |
| Hertfordshire | (3,544) | (3,159) |
| Kent | (2,309) | (2,095) |
| Norfolk | (2,819) | (2,542) |
| Suffolk | (2,148) | (1,934) |
| **Deficit/ (surplus) for the year** | **(169)** | **-** |
| **Norfolk underspend held in Balance Sheet** | **-** | **-** |

### 7F Collaboration

The Business Case to collaborate 7F Commercial Services 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 Commercial Services 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 Commercial Service 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 net expenditure incurred by each force is as follows:

| | Total 2021/22 £000 | Total 2020/21 £000 |
|---|---|---|
| Operating costs | 2,248 | 2,469 |
| Contributions from forces: | | |
| Bedfordshire | 187 | 205 |
| Cambridgeshire | 240 | 260 |
| Hertfordshire | 340 | 371 |
| Essex | 488 | 537 |
| Kent | 517 | 571 |
| Norfolk | 270 | 298 |
| Suffolk | 206 | 227 |
| | **2,248** | **2,469** |

**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 £117k 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 2021/22 the precept, including the estimated 2020/21 collection fund surplus/(deficit), was paid to the PCC during the year and amounted to £82.9m 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:

| 2020/21 £000 | | Received from Billing Authority £000 | Outturn surplus/(deficit) on Collection Fund at 31 March 2021 £000 | 31 March 2022 £000 | Total 2021/22 £000 |
|---|---|---|---|---|---|
| 11,582 | Breckland | 12,295 | (56) | 102 | 12,454 |
| 12,304 | Broadland | 12,911 | 39 | 188 | 13,060 |
| 13,578 | Kings Lynn & West Norfolk | 14,038 | (513) | 20 | 14,571 |
| 9,700 | Norwich | 10,473 | 119 | 50 | 10,405 |
| 7,612 | Great Yarmouth | 7,906 | (143) | 33 | 8,082 |
| 10,719 | North Norfolk | 11,334 | (91) | (91) | 11,334 |
| 13,107 | South Norfolk | 13,931 | (51) | 157 | 14,139 |
| **78,602** | | **82,888** | **(696)** | **459** | **84,044** |

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 March 2021 £000 | | Collection Fund £000 | Net Arrears £000 | Pre-payments £000 | Balance at 31 March 2022 £000 |
|---|---|---|---|---|---|
| 439 | Breckland | (102) | 552 | (171) | 278 |
| (88) | Broadland | (188) | 146 | (177) | (220) |
| 860 | Kings Lynn & West Norfolk | (20) | 616 | (230) | 365 |
| (84) | Norwich | (50) | 372 | (255) | 66 |
| 670 | Great Yarmouth | (33) | 670 | (211) | 426 |
| 194 | North Norfolk | 91 | 321 | (218) | 194 |
| 216 | South Norfolk | (157) | 336 | (175) | 5 |
| **2,207** | | **(459)** | **3,013** | **(1,438)** | **1,116** |

NOTE:

At the time of publication of these draft accounts, the Council Tax Model had yet to be received from North Norfolk District Council. For the purpose of this draft the associated Collection Fund balances are the same amounts as reported at 31 March 2021 for this council.

## 12. External Audit Fees

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

| 2020/21 £000 | | 2021/22 £000 |
|---|---|---|
| | The Group has incurred the following costs in relation to the audit of the Statement of Accounts | |
| 26 | The PCC for Norfolk | 26 |
| | The PCC for Norfolk scale variation fee 2019/20 | 14 |
| | The PCC for Norfolk scale variation fee 2020/21 | 20 |
| 12 | The Chief Constable of Norfolk | 12 |
| | The Chief Constable for Norfolk scale variation fee 2019/20 | 7 |
| | The Chief Constable for Norfolk scale variation fee 2020/21 | 9 |
| | Rebate for prior years | (7) |
| **38** | | **79** |

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

Neither the 2021/22 nor the 2020/21 audit fees include any additional amount in respect of prior year audits. Any additional fees have been disclosed separately.

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 construction £000 | Total 2020/21 £000 | | Land and buildings £000 | Vehicles plant and equipment £000 | Assets under construction £000 | Total 2021/22 £000 |
|---|---|---|---|---|---|---|---|---|
| | | | | **Property, Plant & Equipment** | | | | |
| | | | | **Historic cost or revaluation** | | | | |
| 73,193 | 31,748 | 3,961 | 108,902 | Balance at 1 April | 79,670 | 34,836 | 3,586 | 118,092 |
| 5,078 | 191 | (5,578) | (309) | Reclassifications | (271) | 24 | (260) | (508) |
| 1,218 | 5,063 | 5,203 | 11,485 | Additions | 808 | 4,723 | 4,902 | 10,433 |
| (116) | (2,166) | - | (2,282) | Derecognition - disposals | (118) | (3,244) | - | (3,362) |
| 297 | - | - | 297 | Revaluation gains/ losses | 1,222 | - | - | 1,222 |
| **79,670** | **34,836** | **3,586** | **118,092** | **Balance at 31 March** | **81,311** | **36,338** | **8,228** | **125,877** |
| | | | | **Depreciation and impairments** | | | | |
| 1,676 | 18,919 | - | 20,595 | Balance at 1 April | 1,835 | 20,944 | - | 22,778 |
| (5) | 17 | (20) | (7) | Reclassifications | (1) | - | - | (1) |
| (2,113) | - | - | (2,113) | Depreciation written out on revaluation | (2,351) | - | - | (2,351) |
| (116) | (2,035) | - | (2,151) | Derecognition - disposals | (118) | (3,084) | - | (3,202) |
| 2,393 | 4,042 | 20 | 6,455 | Depreciation for the year | 2,798 | 4,312 | - | 7,110 |
| **1,835** | **20,944** | **-** | **22,778** | **Balance at 31 March** | **2,163** | **22,171** | **-** | **24,334** |
| 71,517 | 12,829 | 3,961 | 88,307 | Opening net book value | 77,835 | 13,892 | 3,586 | 95,314 |
| **77,835** | **13,892** | **3,586** | **95,314** | **Closing net book value** | **79,148** | **14,167** | **8,228** | **101,543** |

| 2020/21 £000 | | 2021/22 £000 |
|---|---|---|
| | **Revaluation movements above are reflected in the CIES as follows:** | |
| 3,925 | Charged/(credited) to the Net Cost of Services | 519 |
| (6,334) | Charged/(credited) to Other Comprehensive Income and Expenditure | (4,092) |
| **(2,409)** | | **(3,573)** |

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on land and buildings (£7,875k), plant and equipment (£109k) and IT systems (£244k).

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 £378k. 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 and IT systems 31 March 2021 £000 | | Software licences and IT systems 31 March 2022 £000 |
|---|---|---|
| | **Purchased intangible assets** | |
| | **Historic cost or revaluation** | |
| 6,808 | Balance at 1 April | 7,042 |
| 205 | Reclassifications | 237 |
| 134 | Additions | 495 |
| (105) | Derecognition - disposals | (114) |
| **7,042** | **Balance at 31 March** | **7,661** |
| | **Amortisation** | |
| 3,873 | Balance at 1 April | 4,601 |
| 830 | Amortisation for the year | 938 |
| 2 | Reclassifications | - |
| (105) | Derecognition - disposals | (33) |
| **4,601** | **Balance at 31 March** | **5,507** |
| 2,935 | Opening net book value | 2,441 |
| **2,441** | **Closing net book value** | **2,154** |

**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** | 1,981 | 14,167 | 8,228 | 24,375 |
| **Valued at fair value during year ended:** | | | | |
| 31 March 2022 | 65,447 | - | - | 65,447 |
| 31 March 2021 | 6,342 | - | - | 6,342 |
| 31 March 2020 | 536 | - | - | 536 |
| 31 March 2019 | 1,838 | - | - | 1,838 |
| 31 March 2018 | 3,004 | | | 3,004 |
| **Balance at 31 March 2022** | **79,148** | **14,167** | **8,228** | **101,543** |

## 14. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2021/22 are set out below:

| 2020/21 £000 | | 2021/22 £000 |
|---|---|---|
| 89,986 | Opening capital financing requirement | 92,888 |
| | **Capital investment** | |
| 134 | Intangible fixed assets | 495 |
| 6,282 | Operational assets | 5,531 |
| 5,203 | Non operational assets | 4,902 |
| | **Sources of finance** | |
| (423) | Capital receipts | (467) |
| (242) | Government grants and other contributions | (265) |
| (5,994) | Direct revenue contributions | (4,742) |
| (2,057) | Revenue provision including MRP | (2,236) |
| **92,888** | **Closing capital financing requirement** | **96,107** |
| | **Explanation of movements in year** | |
| 2,902 | Increase/(decrease) in underlying need to borrow | 3,219 |
| **2,902** | **Increase/(decrease) in capital financing requirement** | **3,219** |

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 2021/22 was £2,236k (2020/21 - £2,057k).

## 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 2021/22 was £1.503m (£1.469m in 2020/21). Payments remaining to be made under the PFI contract at 31 March 2022 (excluding any estimation of inflation and availability / performance deductions) are as follows:

| | Revenue Services £000 | Capital Payments £000 | Interest £000 | Total £000 |
|---|---|---|---|---|
| Payable in 2022/23 | 1,541 | 693 | 2,694 | 4,929 |
| Payable within two to five years | 6,284 | 3,671 | 9,880 | 19,835 |
| Payable within six to ten years | 8,056 | 7,531 | 9,408 | 24,994 |
| Payable within eleven to fifteen years | 8,547 | 11,478 | 3,880 | 23,905 |
| | **24,428** | **23,373** | **25,861** | **73,662** |

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 2010/11 to 2040/41 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 2021/22 amounted to £1.489m (£1.409m in 2020/21). This figure includes a credit received from Cambridgeshire Police for £0.526m 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 March 2022 £000 | Norfolk Historic Cost 31 March 2021 £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 2022 (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 2022/23 | 1,716 | 1,076 | 2,585 | 134 | 5,512 |
| Payable within two to five years | 9,864 | 3,454 | 9,485 | (190) | 22,612 |
| Payable within six to ten years | 13,161 | 6,496 | 10,037 | (48) | 29,646 |
| Payable within eleven to fifteen years | 14,164 | 9,885 | 7,003 | 317 | 31,368 |
| Payable within sixteen to twenty years | 13,184 | 10,937 | 2,111 | (321) | 25,911 |
| | **52,089** | **31,848** | **31,221** | **(108)** | **115,050** |

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.

The movement in the capital liability on the Norfolk PCC Balance Sheet during the year is shown in the following table:

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **PFI - PICs** | | |
| Balance outstanding at the beginning of the year | 32,609 | 33,311 |
| Capital repayments during the year | (761) | (702) |
| Balance outstanding at year end | **31,848** | **32,609** |
| | | |
| **PFI - OCC** | | |
| Balance outstanding at the beginning of the year | 23,994 | 24,552 |
| Capital repayments during the year | (622) | (557) |
| Balance outstanding at year end | **23,373** | **23,994** |
| | | |
| Total balance outstanding at year end | **55,220** | **56,603** |
| | | |
| **Made up as follows:** | | |
| Due in less than one year | 1,770 | 1,383 |
| Due in more than one year | 53,451 | 55,220 |
| | **55,220** | **56,603** |

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

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Net book value at the beginning of the year | 44,563 | 45,249 |
| Additions | - | - |
| Revaluations during the year | 3,022 | 1,188 |
| Depreciation during the year | (2,079) | (1,874) |
| Net book value at the end of the year | **45,507** | **44,563** |

## 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 2021/22 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.

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 | |
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Comprehensive Income and Expenditure Statement** | | | | | | |
| **Cost of services** | | | | | | |
| Current service costs | 21,600 | 13,024 | 48,070 | 40,290 | 405 | 240 |
| Past service costs | - | 25 | - | - | - | - |
| (Gain)/loss from settlement | - | (140) | - | - | | |
| **Financing and investment income and expenditure** | | | | | | |
| Net interest expense | 3,313 | 2,145 | 37,580 | 37,800 | 62 | 38 |
| **Total post employment benefit charges to the surplus or deficit on the provision of service** | **24,913** | **15,054** | **85,650** | **78,090** | **467** | **278** |
| **Other post employment benefit charged to the CIES** | | | | | | |
| - Return on plan assets (excluding the amount included in the net interest expense) | (16,123) | (46,644) | - | - | (184) | (505) |
| - Actuarial gains/losses arising from changes in demographic assumptions | (1,747) | 4,977 | - | - | (22) | 72 |
| - Actuarial gains/losses arising from changes in financial assumptions | (35,420) | 102,091 | (25,300) | 203,280 | (572) | 1,613 |
| - Other | 1,269 | (3,044) | 21,478 | (44,905) | 36 | (35) |
| | (52,021) | 57,380 | (3,822) | 158,375 | (742) | 1,145 |
| **Total post employment benefit charged to the CIES** | **(27,108)** | **72,434** | **81,828** | **236,465** | **(275)** | **1,423** |
| **Movement in Reserves Statement (MIRS):** | | | | | | |
| Reversal of net charges made to the CIES for post employment benefits in accordance with the Code | **27,108** | **(72,434)** | **(81,828)** | **(236,465)** | **275** | **(1,423)** |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | | | | | |
| Employers' contributions payable to scheme | 8,962 | 8,283 | 42,598 | 40,055 | 199 | 168 |
| **Memo** | | | | | | |
| Retirement benefits payable to pensioners | (5,869) | (5,624) | (51,378) | (48,385) | (31) | (30) |

### Assets and liabilities in relation to retirement benefits

| | Group | | | | | | PCC | |
|---|---|---|---|---|---|---|---|---|
| | Local Government Pension Scheme | | Police Pension Schemes | | Total Pension Schemes | | Local Government Pension Scheme | |
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| Present value of liabilities | (410,905) | (419,832) | (1,915,920) | (1,876,690) | (2,326,825) | (2,296,522) | (5,809) | (5,825) |
| Fair value of plan assets | 291,709 | 264,566 | - | - | 291,709 | 264,566 | 3,398 | 2,940 |
| **Total net liabilities** | **(119,196)** | **(155,266)** | **(1,915,920)** | **(1,876,690)** | **(2,035,116)** | **(2,031,956)** | **(2,411)** | **(2,885)** |

### Reconciliation of present value of the scheme liabilities

| | Group | | | | PCC | |
|---|---|---|---|---|---|---|
| | Local Government Pension Scheme | | Police Pension Schemes | | Local Government Pension Scheme | |
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Opening balance at 1 April | 419,832 | 299,375 | 1,876,690 | 1,680,280 | 5,825 | 3,819 |
| Current service cost | 21,600 | 13,024 | 48,070 | 40,290 | 405 | 240 |
| Interest cost | 8,789 | 6,983 | 37,580 | 37,800 | 124 | 91 |
| Contributions by scheme participants | 2,725 | 2,525 | 8,780 | 8,330 | 66 | 59 |
| Remeasurement (gains) and losses: | | | | | | |
| - Actuarial gains/losses arising from changes in demographic assumptions | (1,747) | 4,977 | - | - | (22) | 72 |
| - Actuarial gains/losses arising from changes in financial assumptions | (35,420) | 102,091 | (25,300) | 203,280 | (572) | 1,613 |
| - Other | 995 | (3,053) | 21,478 | (44,905) | 14 | (39) |
| Past service costs | - | 25 | - | - | - | - |
| Benefits paid | (5,869) | (5,624) | (51,378) | (48,385) | (31) | (30) |
| Effects of settlements | - | (491) | - | - | - | - |
| **Closing balance at 31 March** | **410,905** | **419,832** | **1,915,920** | **1,876,690** | **5,809** | **5,825** |

## 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 | |
| | 2021/22 £000 | 2020/21 £000 | 2021/22 £000 | 2020/21 £000 | 2021/22 £000 | 2020/21 £000 |
| Opening fair value of scheme assets at 1 April | 264,566 | 208,260 | - | - | 2,940 | 2,189 |
| Interest income | 5,476 | 4,838 | - | - | 62 | 53 |
| Remeasurement gain/(loss): | | | | | | |
| - the return on plan assets, excluding the amount included in the net interest expense | 16,123 | 46,644 | - | - | 184 | 505 |
| - other | (274) | (9) | - | - | (22) | (4) |
| Contributions from employer | 8,962 | 8,283 | 42,598 | 40,055 | 199 | 168 |
| Contributions from employees into the scheme | 2,725 | 2,525 | 8,780 | 8,330 | 66 | 59 |
| Benefits paid | (5,869) | (5,624) | (51,378) | (48,385) | (31) | (30) |
| Effects of settlements | - | (351) | - | - | - | - |
| **Closing fair value of scheme assets at 31 March** | **291,709** | **264,566** | **-** | **-** | **3,398** | **2,940** |

The total net pensions liabilities of £2,035m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £2,005m. 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 | | | | | PCC Fair Value of Scheme Assets | | | |
|---|---|---|---|---|---|---|---|---|
| 31 March 2022 | | 31 March 2021 | | | 31 March 2022 | | 31 March 2021 | |
| £000 | % | £000 | % | | £000 | % | £000 | % |
| **4,131** | **1.42** | **4,126** | **1.56** | Cash and cash equivalents | **48** | **1.42** | **45** | **1.54** |
| | | | | Bonds - by sector | | | | |
| 2,945 | | 3,011 | | - Government | 34 | | 34 | |
| **2,945** | **1.01** | **3,011** | **1.14** | Sub total bonds | **34** | **1.01** | **34** | **1.14** |
| | | | | Property - by type | | | | |
| 26,642 | | 21,038 | | - UK property | 310 | | 234 | |
| 4,106 | | 5,351 | | - Overseas property | 48 | | 60 | |
| **30,748** | **10.54** | **26,389** | **9.97** | Sub total property | **358** | **10.54** | **293** | **9.98** |
| **23,538** | **8.07** | **16,787** | **6.34** | Private equity - all: | **274** | **8.07** | **187** | **6.34** |
| | | | | Other investment funds: | | | | |
| 122,715 | | 117,904 | | - Equities | 1,430 | | 1,310 | |
| 84,263 | | 78,544 | | - Bonds | 982 | | 873 | |
| 23,305 | | 16,733 | | - Infrastructure | 272 | | 186 | |
| 0 | | 974 | | - Other | 0 | | 11 | |
| **230,283** | **78.94** | **214,155** | **80.95** | Sub total other investment funds | **2,683** | **78.94** | **2,380** | **80.96** |
| | | | | Derivatives: | | | | |
| 65 | | 98 | | - Foreign exchange | 1 | | 1 | |
| **65** | **0.02** | **98** | **0.04** | Sub total derivatives | **1** | **0.02** | **1** | **0.04** |
| **291,709** | **100** | **264,566** | **100** | **Total Assets** | **3,398** | **100** | **2,940** | **100** |

**Basis for estimating assets and liabilities**

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

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

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

| | Group | | | | PCC | |
|---|---|---|---|---|---|---|
| | Local Government Pension Scheme | | Police Pension Schemes | | Local Government Pension Scheme | |
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| Mortality assumptions: | | | | | | |
| Longevity at 65 for current pensioners | | | | | | |
| Men | 21.7 | 21.9 | 22.1 | 22.0 | 21.7 | 21.9 |
| Women | 24.1 | 24.3 | 23.8 | 23.7 | 24.1 | 24.3 |
| Longevity at 65 for future pensioners | | | | | | |
| Men | 22.9 | 23.2 | 23.8 | 23.7 | 22.9 | 23.2 |
| Women | 26.0 | 26.2 | 25.4 | 25.3 | 26.0 | 26.2 |
| Rate of inflation (CPI) | 3.15% | 2.80% | 3.00% | 2.40% | 3.15% | 2.80% |
| Rate of increases in salaries | 3.85% | 3.50% | 4.75% | 4.15% | 3.85% | 3.50% |
| Rate of increase in pensions | 3.15% | 2.80% | 3.00% | 2.40% | 3.15% | 2.80% |
| Rate for discounting scheme liabilities | 2.75% | 2.05% | 2.65% | 2.00% | 2.75% | 2.05% |
| Rate of CARE revaluation | n/a | n/a | 4.25% | 3.65% | 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% (PPS), 0.1% (LGPS) decrease in real discount rate | 2.5% | 9,657 | 10.0% | 187,000 | 3.0% | 156 |
| 1 year increase in member life expectancy | 4.0% | 16,436 | 3.5% | 65,000 | 0 | 232 |
| 0.5% (PPS), 0.1% (LGPS) increase in the salary increase rate | 0.0% | 1,116 | 9.0% | 171,000 | 0.0% | 24 |
| 0.5% (PPS), 0.1% (LGPS) increase in the pension increase rate | 2.0% | 8,471 | 3.5% | 65,000 | 2.0% | 130 |

**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, changes have been made in subsequent financial years and 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 £1.320m (18% plus £1.268m 2020/21). The last triennial valuation was dated 31 March 2019.

Estimated employer's contributions for 2022/23 amount to £8.706m on the LGPS and £44.2m 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, 2021/22 (Group 25.0 years, PCC 29.0 years, 2020/21) and for the Police schemes is 21.0 years, 2021/22 (21.0 years, 2020/21).

## 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 2022 temporary lending comprised:

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Money market and temporary cash deposits** | | |
| Banks | 2,001 | - |
| **Total temporary lending** | **2,001** | **-** |
| **Represented by:** | | |
| Short term investments | 2,001 | - |

## 18. Debtors, Prepayments and Deferred Costs

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Short term debtors:** | | |
| Trade receivables | 522 | 1,314 |
| Prepayments & deferred costs | 5,096 | 2,038 |
| Accrued income | 6,329 | 4,847 |
| Debtors relating to local taxation | 3,234 | 3,184 |
| Other receivable amounts | 6,436 | 2,790 |
| **Balance at 31 March** | **21,616** | **14,173** |

## 19. Cash and Cash Equivalents

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Imprest accounts | 68 | 68 |
| Bank current accounts | 1,839 | 437 |
| Instant access deposits with banks | 7,510 | 11,252 |
| Deposit with a maturity date less than 3 months from acquisition | 4,000 | 1,000 |
| **Balance at 31 March** | **13,416** | **12,756** |

## 20. Assets Held for Sale

| | Current | | Non-current | |
|---|---|---|---|---|
| | 2021/22 £000 | 2020/21 £000 | 2021/22 £000 | 2020/21 £000 |
| **Balance at 1 April** | 321 | 417 | - | - |
| **Assets newly classified as held for sale:** | | | | |
| Property, plant and equipment | 270 | 99 | - | - |
| **Assets sold** | (99) | (195) | - | - |
| **Balance at 31 March** | **492** | **321** | **-** | **-** |

## 21. Creditors

| | Group | | PCC | |
|---|---|---|---|---|
| | 31 March 2022 £000 | 31 March 2021 £000 | 31 March 2022 £000 | 31 March 2021 £000 |
| **Short term creditors:** | | | | |
| Trade payables | 2,634 | 2,134 | 2,634 | 2,134 |
| Accruals and receipts in advance | 10,617 | 8,348 | 9,041 | 6,756 |
| Creditors relating to local taxation | 2,775 | 3,880 | 2,775 | 3,880 |
| Other payables | 5,610 | 5,101 | 5,610 | 5,101 |
| **Balance at 31 March** | **21,635** | **19,463** | **20,060** | **17,871** |

## 22. Reconciliation of Revenue Cash Flow

| Group 2020/21 £000 | £000 | PCC 2020/21 £000 | £000 | | Group 2021/22 £000 | £000 | PCC 2021/22 £000 | £000 |
|---|---|---|---|---|---|---|---|---|
| | | | | **Adjustment for non cash or cash equivalent items within deficit on provision of services:** | | | | |
| 11,210 | | 11,210 | | Depreciation and impairments | | 8,567 | | 8,567 |
| (98) | | (98) | | Profit and loss on disposal of fixed assets | | (126) | | (126) |
| 44,805 | | 110 | | Movements on pension liability | | 59,003 | | 268 |
| 55,917 | | 11,222 | | | | 67,444 | | 8,709 |
| | 685 | | 126 | Increase/(decrease) in revenue creditors | 1,558 | | 1,574 | |
| | 1,691 | | 1,691 | Decrease/(increase) in revenue debtors | (7,445) | | (7,445) | |
| | (14) | | (14) | Decrease/(increase) in stocks | (89) | | (89) | |
| | 165 | | 165 | Increase/(decrease) in revenue provisions | 353 | | 353 | |
| 2,527 | | 1,968 | | | | (5,623) | | (5,607) |
| **58,444** | | **13,190** | | | | **61,821** | | **3,102** |
| | | | | **The total cash flows for operating activities include:** | | | | |
| 6,716 | | 6,716 | | Interest paid and similar charges | | 6,690 | | 6,690 |
| (40) | | (40) | | Interest received | | (55) | | (55) |

## 23. Reconciliation of Liabilities Arising from Financing Activities

| | 1 April 2021 | Financing cash flows | Non-cash Changes Acquisition | Other Non-cash changes | 31 March 2022 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | | £000 |
| Long term borrowings | 23,563 | 10,000 | - | (1,831) | 31,732 |
| Short term borrowings | 290 | - | - | 1,471 | 1,761 |
| On balance sheet PFI liabilities | 56,603 | (1,383) | - | - | 55,220 |
| Total liabilities from financing activities | **80,456** | **8,617** | **-** | **(360)** | **88,713** |

## 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. All known CHIS handler claims have now been settled; however, Norfolk has an outstanding Undercover Unit (UC) claim which covers a 3 year period which pre-dates collaboration. As with other forces, Norfolk Constabulary may receive further claims from officers working in non-handler and undercover roles. Furthermore, an issue has been flagged recently regarding Dedicated Source Handling (DSU) officers attending voluntary training courses and performing extended tours of duty for which they received TOIL rather than overtime payments. Counsel's advice is being sought on behalf of all forces nationally. The potential number of claims or an estimate of their value cannot yet 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.

Some UC claims are brought by officers working for ERSOU. 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. None of the ERSOU claims involve Norfolk officers.

Norfolk Constabulary will be liable to a share of the legal costs arising from national lead claims associated with the Police Overtime Claims Litigation.

**Forensic Service Uncertainty**

The validity of evidence provided by forensic testing companies 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, 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.

**Unlawful Discrimination – Pension Fund Regulations**

The Chief Constable of Norfolk currently has 846 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 alleged discrimination and sought compensation for financial loss and injury to feelings.

Following the McCloud/Sargeant litigation, the transitional provisions contained in the Pension changes in 2015 have been found to be discriminatory. As a result of the finding, the pension legislation is being reviewed and amended. All qualifying police officers (serving and retired) whether they made a claim or not, will be given a deferred choice of pension scheme for the qualifying period (2015 - 2022). The financial impact (aside from any liability for financial loss or injury to feelings) is likely to be an increased cost to the pension fund in making increased prospective and retrospective pension payments to qualifying officers. The impact on the pension fund cannot yet be fully quantified as the updating legislation and regulations are yet to published along with the ongoing option to defer the choice of scheme to be applied. However, an actuarial assessment has been made and is reflected within the IAS 19 pension liabilities recorded in the Balance Sheet.

Having found the transitional provision to be discriminatory, the clams for financial loss and injury to feelings are on-going. As at 31 March 2022, it is not possible to reliably estimate the extent or likelihood of these claims being successful or whether the Forces or the Government will bear the cost. 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 2022 relates to £113k for Employment Tribunals and £4k for Judicial Reviews. As these cases are subject to legal and other investigative proceedings no further details can be provided.

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

Exit Packages

The exit package provision balance as at 31 March 2022 was to provide for costs yet to be paid for multiple employees who are expected to leave the organisation, by reason of redundancy or other agreed departure, but who had not left at the end of the year.

| | Balance 1 April 2021 £000 | Charge in year £000 | Paid/ Reversed in year £000 | Balance 31 March 2022 £000 |
|---|---|---|---|---|
| Insurance claims | 1,135 | 625 | (806) | 954 |
| Employment tribunals and judicial reviews | 120 | 21 | (24) | 117 |
| Other revenue provisions | 8 | 97 | - | 105 |
| Exit packages | - | 505 | (65) | 440 |
| **Total** | **1,263** | **1,248** | **(895)** | **1,616** |

## 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 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Not later than one year | 425 | 466 |
| Later than one year but not later than five years | 136 | 437 |
| Later than five years | 24 | 28 |
| | **585** | **931** |

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

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Minimum lease payments | 628 | 630 |
| Contingent rents | 32 | 28 |
| | **659** | **658** |

**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 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Not later than one year | 64 | 74 |
| Later than one year but not later than five years | 94 | 63 |
| Later than five years | 25 | 28 |
| | **183** | **165** |

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

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Minimum lease payments | 133 | 131 |
| Contingent rents | 7 | 6 |
| | **141** | **137** |

## 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 2021 £000 | Received £000 | Applied £000 | Reallocated £000 | Balance 31 March 2022 £000 |
|---|---|---|---|---|---|---|
| **Revenue reserves:** | | | | | | |
| Regional Partnership | **(a)** | 193 | 16 | (104) | - | 105 |
| Budget Support | **(b)** | 3,283 | 246 | (32) | - | 3,497 |
| Invest to Save | **(c)** | 2,125 | - | (175) | - | 1,950 |
| Capital Financing & Efficiency | **(d)** | 6,593 | 1,646 | (287) | - | 7,952 |
| Insurance | **(e)** | 856 | - | - | - | 856 |
| PCC | **(f)** | 1,837 | 41 | (82) | - | 1,796 |
| Safety Camera | **(g)** | 1,101 | 349 | (348) | - | 1,103 |
| Community Safety Reserve | **(h)** | 500 | - | - | - | 500 |
| Efficiency Reserve | **(i)** | 125 | - | - | - | 125 |
| **Total** | | **16,612** | **2,298** | **(1,028)** | **-** | **17,883** |
| **General Reserve** | | **4,475** | **100** | **-** | **-** | **4,575** |

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 2021/22, £88k of this reserve was utilised to cover the approved net overspend in relation to the Eastern Region Special Operations Unit (ERSOU).

**(b) Budget Support Reserve**
The Budget Support Reserve was being held as a contingency against future demand led pressures and had also been used to deal with the funding pressures arising from austerity. 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, the conflict in Ukraine and other global factors, this reserve has been re-established.

**(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. This reserve is being increased to be able to cover the impending significant capital investment required for the new Emergency Services Network that is expected over the life of the MTFP.

**(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 PCC reserve shown in the papers consists of several elements. The commissioning element 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. The PCC general element is for any urgent spend that has not been previously budgeted for in year.

**(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) Community Safety Reserve**
The Police Reform and Social Responsibility Act 2011 sets out a number of ways that PCCs 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.

**(i) Efficiency Reserve**
This reserve is held for the PCC who will draw on this reserve for engaging with the public on the progress of the Police, Crime and Community Safety 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 2022 | 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 2021** | **(2,031,956)** | **26,190** | **(21,002)** | **(696)** | **(1,592)** | **(2,029,055)** |
| Other comprehensive income and expenditure | 55,843 | 4,092 | - | - | - | **59,935** |
| **Total comprehensive income and expenditure** | **55,843** | **4,092** | **-** | **-** | **-** | **59,935** |
| Amortisation of intangible assets | - | - | (938) | - | - | **(938)** |
| Depreciation on property, plant and equipment | - | (1,350) | (5,760) | - | - | **(7,110)** |
| Revaluation losses on property, plant and equipment | - | - | (519) | - | - | **(519)** |
| Application of capital grants from unapplied account | - | - | 265 | - | - | **265** |
| Net gain or loss on the sale of non-current assets | - | (19) | (321) | - | - | **(340)** |
| Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements | (79,577) | - | - | - | - | **(79,577)** |
| Movement on the Collection Fund Adjustment Account | - | - | - | 1,155 | - | **1,155** |
| Capital expenditure charged to the General Fund Balance | - | - | 4,742 | - | - | **4,742** |
| Statutory provision for the repayment of debt | - | - | 2,236 | - | - | **2,236** |
| Contribution to the Police Pension Fund | 20,574 | - | - | - | - | **20,574** |
| Movement on the Compensated Absences Account | - | - | - | - | 16 | **16** |
| Use of capital receipts to fund asset purchases | - | - | 467 | - | - | **467** |
| **Adjustments between accounting basis and funding basis under regulations** | **(59,003)** | **(1,369)** | **171** | **1,155** | **16** | **(59,030)** |
| **Increase / (decrease) in year** | **(3,160)** | **2,722** | **171** | **1,155** | **16** | **905** |
| **Balance at 31 March 2022** | **(2,035,116)** | **28,912** | **(20,831)** | **459** | **(1,575)** | **(2,028,152)** |

| 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)** |

**PCC:**

| Year Ended 31 March 2022 | Pension Reserves £000 | Reval- -uation Reserve £000 | Capital Adj' Account £000 | Collection Fund Adj' Account £000 | **Total Unusable Reserves £000** |
|---|---|---|---|---|---|
| **Balance at 1 April 2021** | **(2,886)** | **26,191** | **(21,002)** | **(696)** | **1,605** |
| Other comprehensive income and expenditure | 742 | 4,092 | - | - | **4,834** |
| **Total comprehensive income and expenditure** | **742** | **4,092** | **-** | **-** | **4,834** |
| Amortisation of intangible assets | - | - | (938) | - | **(938)** |
| Depreciation on property, plant and equipment | - | (1,350) | (5,760) | - | **(7,110)** |
| Revaluation losses on property, plant and equipment | - | - | (519) | - | **(519)** |
| Application of capital grants from unapplied account | - | - | 265 | - | **265** |
| Net gain or loss on the sale of non-current assets | - | (19) | (321) | - | **(340)** |
| Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements | (268) | - | - | - | **(268)** |
| Movement on the Collection Fund Adjustment Account | - | - | - | 1,155 | **1,155** |
| Capital expenditure charged to the General Fund Balance | - | - | 4,742 | - | **4,742** |
| Statutory provision for the repayment of debt | - | - | 2,236 | - | **2,236** |
| Use of capital receipts to fund asset purchases | - | - | 467 | - | **467** |
| **Adjustments between accounting basis and funding basis under regulations** | **(268)** | **(1,369)** | **171** | **1,155** | **(311)** |
| **Increase / (decrease) in year** | **474** | **2,722** | **171** | **1,155** | **4,523** |
| **Balance at 31 March 2022** | **(2,412)** | **28,913** | **(20,831)** | **459** | **6,129** |

| 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** | **(2,888)** | **26,191** | **(21,002)** | **(696)** | **1,605** |

## 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 March | | 31 March | | 31 March | | 31 March | | 31 March | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Financial Assets** | | | | | | | | | | |
| Amortised cost | 2,001 | - | 20,400 | 19,066 | - | - | - | - | 22,401 | 19,066 |
| **Total Financial Assets** | **2,001** | **0** | **20,400** | **19,066** | **-** | **-** | **-** | **-** | **22,401** | **19,066** |
| **Non Financial Assets** | - | - | 15,798 | 8,768 | - | - | - | - | 15,798 | 8,768 |
| **Total Assets** | **2,001** | **0** | **36,198** | **27,834** | **-** | **-** | **-** | **-** | **38,199** | **27,834** |

| | Current | | | | Long term | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Borrowings | | Other liabilities | | Borrowings | | Other liabilities | | | |
| | 31 March | | 31 March | | 31 March | | 31 March | | 31 March | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Financial Liabilities** | | | | | | | | | | |
| Amortised cost | 1,761 | 290 | 11,507 | 8,837 | 31,732 | 23,563 | 2,035,128 | 2,031,958 | 2,080,127 | 2,064,648 |
| **Total Financial Liabilities** | **1,761** | **290** | **11,507** | **8,837** | **31,732** | **23,563** | **2,035,128** | **2,031,958** | **2,080,127** | **2,064,648** |
| **Non Financial Liabilities** | - | - | 13,577 | 13,325 | - | - | 53,451 | 55,220 | 67,028 | 68,545 |
| **Total Liabilities** | **1,761** | **290** | **25,085** | **22,162** | **31,732** | **23,563** | **2,088,578** | **2,087,179** | **2,147,155** | **2,133,194** |

No other category of financial asset or liability was held during the year and there were no instances of:

- De-recognition of financial instruments
- Unusual movements to be disclosed
- Allowance for credit losses

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

| 2020/21 Surplus or Deficit on the Provision of Services £000 | 2020/21 Other Comp' Income and Expenditure £000 | | 2021/22 Surplus or Deficit on the Provision of Services £000 | 2021/22 Other Comp' Income and Expenditure £000 |
|---|---|---|---|---|
| | | **Net (gains)/losses on:** | | |
| - | - | Financial assets measured at amortised cost | 2 | - |
| - | - | **Total net (gains)/losses** | 2 | - |
| | | **Interest revenue:** | | |
| (25) | - | Financial assets measured at amortised cost | (45) | - |
| **(25)** | **-** | **Total interest revenue** | **(45)** | **-** |
| **6,715** | **-** | **Interest expense** | **6,723** | **-** |
| | | **Fee expense:** | | |
| - | - | Financial assets or financial liabilities that are not at fair value through profit or loss | 4 | - |
| **-** | **-** | **Total fee expense** | **4** | **-** |

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 2022 Carrying amount £000 | Fair value £000 | 31 March 2021 Carrying amount £000 | Fair value £000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| PWLB loan | 33,492 | 40,680 | 23,853 | 33,871 |
| | **33,492** | **40,680** | **23,853** | **33,871** |

The fair value of borrowings in 2021/22 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 2022) arising from a commitment to pay interest to lenders above current market rates.

Fair values of short term trade payables and receivables, cash and cash equivalents are assumed to equal the book values and are therefore not included in the table above. These are exempt from IFRS13.

Assets and liabilities are measured at fair value using the IFRS13 Fair Value market approach which uses prices and other relevant information (inputs) generated by market transactions involving similar assets or liabilities. The IFRS on Fair Value includes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three input levels as follows:

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

We have therefore categorised the valuations of all financial assets and liabilities as Level 2 input in the IFRS 13 fair value hierarchy, there has been no movement between the levels within this and the prior financial year.

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 2021/22, 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 35.

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-

[3] Annual Investment and Treasury Management Strategy

recoverability applies to all of the PCC's deposits, there was no evidence at the 31 March 2022 that this was likely to crystallise.

Of the £522k outstanding from customers £122k was past its due date for payment at the year-end. The past due amount can be analysed by age as follows:

| O | Amount past due 2022 £000 | Amount past due 2021 £000 |
|---|---|---|
| Less than three months | 116 | 544 |
| Three to six months | - | 47 |
| Six months to one year | 2 | 1 |
| More than one year | 4 | 2 |
| | **122** | **594** |

**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 23 loans with the PWLB, 20 are repayable on maturity, 3 are being repaid in half yearly instalments. The loans are due to mature between 1 and 37 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 £2,611k.

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. Events After the Reporting Period

Events after the reporting period have been considered for the period from the year-end to the date the accounts were authorised for issue on ………….. 2022. At the time of issue there were no adjusting or non-adjusting subsequent events that required disclosure.

## 31. Capital Commitments

Significant commitments under capital contracts as at 31 March 2022 are analysed as follows:

| 2021<br>£000 | | 2022<br>£000 |
|---|---|---|
| - | Broadland Gate Hub | 4,995 |
| 223 | Vehicles | 1,055 |
| 133 | ICT replacements & equipment refresh | 714 |
| - | ESN ICCS upgrade | 126 |
| 55 | Digital Strategy (incl mobile data) | 124 |
| 742 | Tasers & other firearms | 116 |
| 590 | Norfolk Professional Development Centre | 113 |
| - | eRecruitment system | 93 |
| 41 | Other | 55 |
| 547 | ICT software upgrades | 40 |
| 98 | Estates strategy | 15 |
| 144 | Athena | - |
| **2,573** | **Total committed** | **7,447** |

## 32. Going Concern

The Police Reform and Social Responsibility Act 2011 sets out in statute the creation of the Police and Crime Commissioners and the financial responsibility they have. 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 PCC has increased the General Reserve by £0.100m to £4.575m, has increased the Budget Support Reserve to £3.497m and has an Invest to Save Reserve of £1.950m 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 £0.387m.

A high-level scenario planning exercise has been completed and compared against our current MTFP assumptions. The budget gap for 2023/24 ranges between reasonable pragmatic case (£0.567m) to worst case (£3.997m) 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 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 2023 would reduce to approximately £18.461m. This still remains well above our minimum level of general fund balance as set by the PCC CFO of £4.675m.

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 future finances, it has been concluded that there is no material uncertainty relating to going concern.

# Police Pension Fund Accounting Statements

| 2020/21 £000 | 2020/21 £000 | | 2021/22 £000 | 2021/22 £000 |
|---|---|---|---|---|
| | | **Contributions receivable** | | |
| | | Employer | | |
| | 18,975 | Normal | 20,034 | |
| | 255 | Early retirements | 247 | |
| 19,229 | | | | 20,281 |
| | | Members | | |
| | 8,267 | Normal | 8,655 | |
| 8,267 | | | | 8,655 |
| | | **Transfers in** | | |
| | 160 | Individual transfers in from other schemes | 235 | |
| 160 | | | | 235 |
| | | **Benefits payable** | | |
| | (39,687) | Pensions | (40,630) | |
| | (6,946) | Commutations and lump sum retirement benefits | (8,758) | |
| | (79) | Other | (262) | |
| (46,712) | | | | (49,650) |
| | | **Payments to and on account of leavers** | | |
| | (20) | Refunds on contributions | (57) | |
| (20) | | | | (95) |
| **(19,076)** | | **Net amount payable for the year before contribution from the Police General Fund** | | **(20,574)** |
| **19,076** | | **Contribution from the Police General Fund** | | **20,574** |
| **-** | | **Net balance receivable for the year** | | **-** |

No assets are held by the pension fund and no amounts were owed to or from it as at 31 March 2022 (31 March 2021 £nil)

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 2021/22 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 £6.2m in 2021/22 (2020/21 - £4.4m), this has increased significantly due to rising officer numbers and employee costs.

## 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.