Audit Committee Agenda

Meeting date: Tuesday 10th December 2024 at 2pm.

Meeting location: Office of the Police and Crime Commissioner for Norfolk (OPCCN), Building 7, Wymondham.

Note for members of the public:
If a member of the public wishes to attend the meeting please contact the Office of the Police and Crime Commissioner for Norfolk, Building 7, Wymondham, Norfolk, NR18 0WW. Call 01953 424455 or email: opccn@norfolk.police.uk

For copies of any of the papers cited below please contact the OPCCN as detailed above.

1. Public Agenda

1.1 Welcome and apologies

1.2 Declaration of personal and prejudicial interests

1.3 To approve the minutes of the meeting held on 13th September 2024 – Document available on request.

1.4 Review and update of Action Log – **Document available on request.**

1.5 2022/23 Statement of Accounts

a. Norfolk PCC Statement of Accounts - **Document Available on request**
b. Norfolk Constabulary Statement of Accounts – **Document available on request**
c. Annual Governance Statement **– Document available on request**
d. EY 2022/23 Audit Completion Report and Disclaim Audit Opinion– **Document available on request**

1.6 Internal Audit

a. Summary Internal Controls Assurance (SICA) Report – **Document available on request**
b. Final Audit Reports – **Document available on request**
c. Briefing notes on relevant topics – **Document available on request**

1.7 24-25 Mid Year Treasury Management Report – **Document available on request**

1.8 Forward Work Plan - **See separate document.**

2. Private Agenda

2.1 Welcome and apologies

2.2 Declaration of personal and prejudicial interests

2.3 To approve the minutes of the meeting held on 13th September 2024

2.4 Review and update of Action Log

2.5 Fraud update (Verbal Update

2.6 Strategic Risk Register

2.7 Internal Audit

a. Summary Internal Controls Assurance (SICA) Report
b. Confidential & Sensitive Internal Audit reports

Next meeting date: Tuesday 28th January 2025 at 2pm

Meeting location: Office of the Police and Crime Commissioner for Norfolk, Building 7, Wymondham.

Audit Committee Meeting

Friday 13th September 2024
14:00 hours
Via Microsoft Teams

MINUTES

Members in attendance:

Ms A Bennett (Chair)
Mr A Matthews
Mr S Smith

Also, in attendance:

Mr S George	Chief Finance Officer, (PCC CFO), OPCC
Mr P Jasper	Assistant Chief Officer (ACO), Norfolk Constabulary
Ms F Roe	Director, TIAA

Part 1 – Public Agenda

1. **Welcome and Apologies:**

   Apologies were received from L Sales and P Hargrave.

   The Chair formally welcomed Simon George, the newly appointed Chief Finance Officer at OPCCN.

2. **Declaration of Personal and/or Prejudicial interest:**

   S George interests can be found on the OPCCN website.

3. **Minutes of last meeting:**

   The minutes of the last meeting held on 24th July 2024 were duly agreed by the Audit Committee members as an accurate account.

4. **Review and Update Action Log:** The action log was reviewed in detail and the log was updated to reflect the discussion.

5. **Internal Audit 2023/24 Summary of Internal Control:**

   F Roe outlined that there were 7 audit reports that had been finalised since the last committee and included in the SICA report. There are improved processes in place that should see improvements in the timeline for processing reports.

   Procurement strategy – Limited Assurance: The main recommendation is related to having the complete range of contractual supporting documents held by the force ideally within the 7F Commercial system.

   The committee expressed concern that a report with limited assurance that was issued in May 2024 was not issued as a final until September 2024 and therefore not notified to the Audit Committee until September. It was considered that the Audit Committee held at the end of July 2024 should have been notified that there was a draft audit in the system with a limited assurance status. The format used for SICA reporting should include the status of draft reports issued (as per the format used in the SICA issued on the private agenda). The committee recognised that the retirement of the previous postholder contributed to the delay.

   The committee discussed the risks and concerns within the report. A Matthews raised a question about the recommendations and that they were all indicated as having been implemented and what assurance there was about this being correct. F Roe advised a detailed follow up report will take place to assess if the recommendations had been implemented.

   A Matthews also raised concerns over ommissions of contract documents within the 7F system and that over all the report outlined limited reassurance. P Jasper and S George to follow up with the Head of 7 Force Commercial, Dave Levy, to pick up issues raised in the report and report back to the Committee. **Action 111: P Jasper and S George to raise with Head of 7 Force Head of Commercial Services and report back to the committee.**

   Agile Working – Reasonable Assurance: There was one recommendation and no questions from the audit committee.

   Resource Management Unit – Reasonable Assurance: There were two recommendations with the main recommendation being in relation to how records are maintained and used for restricted duties officers.

Succession Planning – Reasonable Assurance: It was noted that this is an area that the Constabulary are improving on following the arrival of the new Director of People and the implementation of a new People Directorate target operating model.

Key Financial Controls - Substantial assurance: The committee noted that there were no recommendations in respect of this audit.

E-Recruitment System – Substantial assurance: There were no recommendations in respect of this audit.

2023/24 outstanding audits: 3 reports remain outstanding and it is hoped these should be finalised before next meeting. S George to look into the Community Safety Partnership audit delay so that this could be issued as a final report to the next audit committee**.** **Action 112: S George to discuss the Community Safety Partnership audit delay with F Roe to ensure finalised for the next committee.**

2024/25 Audits: F Roe outlined that she is expecting some audits to be ready for draft report in few weeks and that the rest are either scheduled or awaiting for dates to be agreed but is confident that all reports can be serviced in the financial year.

6. 2024/25 Final Internal Audit Plan:

This was deferred to next meeting.

7. Forward Work Plan:

A Bennett met with the PCC and CC and gave them an update on the activities of the Audit Committee. In particular they discussed the strategic risk register and acknowledged how it had improved but that after a few years now needed to be reviewed to ensure it remained relevant.

Next meeting date: Tuesday 15 October 2024 at 2pm

Meeting location: Office of the Police and Crime Commissioner for Norfolk, Building 7, Wymondham.

Audit Committee
Public – Part 1

Action Log – 13 September 2024

Action Number	Meeting Date	Actions and update	Owner	Status
New actions: 4 July 2023				
97	04.07.23	**Management and Planning days 2023/2024** **C Lavery** to add to the Management and Planning days total of 275 on the plan so in the appendix it illustrates how the days are allocated against the review areas and to add the dates for clarity. 10.10.23 update – TIAA clarified with the Committee what was required, and the plan will be updated. 26.03.24 – agreed item to be closed	C Lavery	Closed
New actions: 29 August 2023				

98	29.08.23	**ERP (Enterprise Resource Planning) system** **Action:** P Jasper to confirm if the continued risk that the lack of system-based separation of duties between the raising of invoices/credit notes and receipting of income within the finance system and the mitigations and controls are recorded on the operational risk register. 10.10.23 update – P Jasper confirmed this on the finance operational risk register and the register is reviewed regularly. 24.1.24 update – P Jasper confirmed item to be closed 26.03.24 – agreed item to be closed	P Jasper	Closed
99	29.08.23	**Recruitment policies to be updated** P Jasper to discuss with the Recruitment department an appropriate date for the recommendations to be completed and advise the Committee. 10.10.23 – The HR policy team will be attending the March 2024 JNCC where the updated policies will be approved and signed off. Feedback will be provided to TIAA and once the policy date has been updated and the recommendation will be closed. 24.01.24 – update P Jasper confirmed item to be discussed at JNCC in March so action still open at the moment. 26.03.24 – P Jasper updated that the policy is delayed from March to June JNCC. Keep open. **23.07.24 – P Jasper advised approved and is now live**	P Jasper	Closed
New actions: 10 October 2023				

100	10.10.23	**Audit learning review** The Chair requested upon completion of the overtime and additional payments audit to be provided with an understanding of what has delayed the finalisation of the audit. The Chair is seeking assurance in the sense that the findings stood and if there were any issues around findings being questioned, that this is also understood. 24.1.24 – This was discussed during the course of the committee meeting. There had been issues with agreeing findings and recommendations between Finance and TIAA and there had been a breakdown in process and escalation. A new process has been developed and agreed and will be implemented during quarter 4. 26.03.24 – agreed item to be closed	F Roe	Closed
101	10.10.23	**Business Continuity Audit** F Roe to confirm with the six services that had not tested their business continuity plans as to whether this has now been completed. 24.01.24 – The committee still requires to be updated on the six areas. 26.03.24 – F Roe to gain confirmation. Keep open. 23.07.24 – F Roe outlined that all have now been confirmed. 13.09.24 – agreed to close	F Roe	Closed
102	10.10.23	**Whistleblowing Audit** F Roe will confirm to the Committee the terms of reference for the whistleblowing audit	F Roe	Closed

		24.01.24 – update – J Penn confirmed to leave item open. 26.03.24 – Terms of reference were sent after the previous meeting. 13.09.24 – agreed to close		
103	10.10.23	**Amendment to staff appraisals audit** P Jasper to confirm to the Committee why the staff retention element has been removed from the audit. 24.1.24 – The retention element was requested to be removed from the audit on PDRs and instead be considered as a separate report and included in the plan. 26.03.24 – agreed item to be closed.	P Jasper	Closed
New actions: 24 January 2024				
104	24.1.24	**Data Breach Report** P Jasper to clarify with ACC Bridger when the data breach internal report will be finalised and issued to both PCCs 26.03.24 – P Jasper updated that internal report has been shared with both Chief Constables and sent to ICO. P Jasper will confirm with ACC E Bridger that the report can be shared with Audit Committee members. Leave open for further update. 23.07.24 – The report has been shared confidentially with Audit Committee members other than L Sales. To remain live.	P Jasper	Live

		13.09.24 – A Bennett advised L Sales proposed to come in and meet with P Jasper so she can read through report and sign off as action following L Sales return on 1.11.24. P Jasper agreed.		
105	24.1.24	**Lease** P Jasper to liaise with the Head of Estates to ensure the lease is signed off as soon as possible. 26.03.24 – Leave open. 23.07.24 – PCC has signed. Awaiting county council to sign, to remain live. 13.09.24 – Awaiting sign off, P Jasper no update, to come post meeting,	P Jasper	Live
106	24.1.24	**Collaboration Governance** P Jasper and H Zabel to brief the Committee outside of the meeting on collaboration governance 26.03.24 – delivered in the morning briefing. Agreed closed. 23.07.24 - Closed	P Jasper	Closed
New actions: 26 March 2024 **No new actions from meeting.**				
New actions: 23 July 2024				
107	23.7.2024	**Audit exit meetings:** F Roe to make sure that audit exit meetings are held with the draft reports so that clarifications or challenge around recommendations are dealt with in those meetings.	F Roe	Live

		13.09.34 – All new audit to have exit meetings going forward. Update next meeting.		
108	23.7.2024	**Updates to outstanding recommendations:** F Roe to link in with PMO to update the list of outstanding recommendations. 13.09.24 – Full update given during meeting, see minutes.	F Roe	Proposed to be closed.
109	23.7.2024	**Additional Audit Committee meeting:** Jill Penn to set up an additional Committee meeting for September to review additional finalised 2023/24 internal audits. **[Post meeting note: Meeting set up for 13th September]**	J Penn	Closed
110	23.7.2024	**Review of 2024/25 audit plan** P Jasper to discuss with Suffolk counterparts and F Roe options around a minimum number of audits for 2024/25 to meet the requirements for assurance for TIAA to be able to provide a Head of Internal Audit annual opinion. 13.09.24 – P Jasper spoke with Suffolk. P Jasper prosed to close and P Jasper and F Roe to have a meeting to discuss.	P Jasper	Proposed to be closed

New actions: 13.09.2024				
111	13.09.2024	**Procurement Strategy – Limited Assurance** P Jasper and S George to raise the Audit Committee concerns over the limited assurance report with Head of 7 Force Head of Commercial Services and report back to the committee.	P Jasper / S George	Live
112	13.09.2024	**2023/24 outstanding audits** S George to discuss the Community Safety Partnership audit delay with F Roe to ensure finalised for the next committee.	S George	Live

ORIGINATOR:	Chief Finance Officers

REASON FOR SUBMISSION:	**Decision**

SUBMITTED TO:	Audit Committee – 10 December 2024

SUBJECT:	Statements of Accounts 2022/23

SUMMARY:

1. The Police and Crime Commissioner's (PCC) and Chief Constable's (CC) draft Statements of Accounts were published online on 8th January 2024

2. The draft Annual Governance Statement was also published on 8th January 2024.

3. The external auditor's Completion Report for Those Charged with Governance is circulated with this report and will be presented by Debbie Hanson, Partner, EY.

4. The external auditor requires Letters of Representation to be signed by the Chief Finance Officers (CFO's) before issuing his final audit opinion on the Statements of Accounts and these are included within the ARR.

5. The conclusion of the 2022/23 audit process is taking place in the context of the clearing of the audit backlog. A statutory backstop of 13th December has been set for the signing of accounts up to and including 2022/23

6. The PCC, Chief Constable, Chief Executive and both CFO's, will sign formally the accounts after endorsement by the Committee.

NB Hard copies of the Statements of Accounts are available, on request to the Office of the Police and Crime Commissioner.

RECOMMENDATION:

1. The Committee is invited to recommend the Statements of Accounts and the Annual Governance Statement for signature by the PCC and Chief Constable.
2. The committee is asked to note the Guidance from MHCLG in Appendix 1 pertaining to the “Audit Backlong” & “Disclaimed Audit Opinions”

1. BACKGROUND

1.1 The Accounts and Audit (England) Regulations 2015 require authorities to follow “proper practices in relation to accounts” for the preparation of the Statement of Accounts. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) constitutes “proper accounting practice” in England and Wales under the terms of Section 21 (2) of the Local Government Act 2003. PCCs and CCs in England and Wales are defined as local authorities under Section 23 (as amended by the Police Reform and Social Responsibility Act 2011) and are required, therefore, to follow the Code.

1.2 The Home Office Financial Management Code of Practice for the Police Service of England and Wales requires the Chief Financial Officer (CFO) of the PCC to be responsible for ensuring the production of the Statements of Accounts and the Group Accounts of the PCC, and the CC CFO has the same responsibilities on behalf of the Chief Constable. The legal framework indicates that the Statements of Accounts including the Group Accounts and the single entity financial statements should be produced in accordance with the Code’s requirements.

1.3 The Statutory backstop for the signing of the 2022/23 accounts has been set for 13th December 2024

2. COMPLETION REPORT

2.2 The external auditor’s Completion Report for the year ended 31 March 2023 is circulated with this report and will be presented by Debbie Hanson.

3. ANNUAL GOVERNANCE STATEMENT (AGS)

3.1 The nnual Governance Statement was published online on 8th January 2024; It is table as part of the meeting papers for the committee’s consideration.

4. LETTERS OF REPRESENTATION

4.1 The appendices to the Draft Completion Report include the draft Letters of Representation, which are required to be signed by each corporation sole and the relevant CFO and provided to the external auditor prior to issuing his opinion on the PCC and CC's financial statements.

5. PROCESS FOR FINAL APPROVAL

5.1 On the basis that there are no further comments from the Committee, the Annual Governance Statement, the Letters of Representation and the two sets of Accounts will be signed off by the relevant parties.

5.2 The auditor will then sign the accounts and the audited accounts will be placed on both websites.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications of any significance arising from consideration of this report.

7. OTHER IMPLICATIONS AND RISKS

7.1 There are no other implications or risks associated with consideration of this report.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE ‘YES’ OR ‘NO’
Has legal advice been sought on this submission?	No
Has the PCC’s Chief Finance Officer been consulted?	Yes
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	Not applicable
Have human resource implications been considered?	Not applicable
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Not applicable
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	Not applicable
Has communications advice been sought on areas of likely media interest and how they might be managed?	No – not considered necessary.
Have all relevant ethical factors been taken into consideration in developing this submission?	Ethical considerations have been taken into account in the production of the Annual Governance Statement and the Accounts.

In relation to the above, please ensure that all relevant issues have been highlighted in the ‘other implications and risks’ section of the submission.

<u>Appendix 1 – MHCLG Guidance “Addressing the local Audit backlog: Modified or Disclaimed opinions”</u>

Introduction

The government, working closely with partner organisations, has implemented measures because of a large backlog in relation to local audit in England. One consequence is that many local bodies will receive modified or disclaimed audit opinions due to circumstances largely outside of their control and where these do not signify issues in their financial accounts. This document explains the context for these opinions to help ensure that local bodies are not unfairly judged.

Background

Local authorities and other local bodies, including police, fire, transport and waste authorities, as well as national parks, provide vital public services to local communities.

These bodies publish accounts for each financial year. The external auditing of these accounts ensures transparency and accountability for public money spent on these services, and builds public confidence.

In recent years, however, there has been a growing backlog of unaudited accounts. For financial year (FY) 2022/23, just one percent of councils and other local bodies published their audited accounts on time.

Measures to tackle the backlog

Since being elected in July, the government, together with key local audit system partners, has taken decisive action to tackle the backlog. This includes setting a statutory backstop date of 13 December 2024 for the publication of audited accounts for Financial Years (FYs) up to and including 2022/23, as well as further backstops for FYs 2023/24 to 2027/28 to enable the audit system to recover. This approach will enable auditors to focus on more up-to-date accounts, where assurance is most valuable.

Aspects of the measures are uncomfortable, particularly the prospect of disclaimed or modified opinions (explained further below). Given the scale of the backlog, however, and the absence of viable alternatives, the government made the difficult decision to proceed.

Without these measures, audits would continue to be delayed, and the local audit system would move further away from timely, effective audit, with significant additional cost to the taxpayer. The measures are supported by all key local audit system partners.

The backlog is an immediate priority, but the government also fully recognises the need to address underlying systemic issues and will update Parliament shortly on its longer-term plans to fix local audit.

Modified or disclaimed audit opinions

The key objective of an audit is to obtain sufficient evidence to conclude that the auditor has reasonable assurance that the financial statements as a whole are free from material misstatement. Where this is feasible, auditors issue an unmodified (or 'clean') audit opinion to the body. Otherwise, auditors may issue a modified opinion, including a disclaimed opinion if they are unable to provide substantive assurance or a qualified opinion if they are able to provide assurance on parts of the accounts. These opinions are relatively uncommon.

The statutory backstop dates, however, will create conditions under which significant numbers of modified or disclaimed opinions are issued. Specifically, the time constraints of the backstops may mean that auditors are unable to obtain sufficient appropriate audit evidence to state, in their opinion, whether the financial statements are properly put together and free from material error.

Auditors are expected to issue hundreds of disclaimed opinions by the first backstop date of 13 December 2024, and these will likely continue for some bodies for a number of years. It is the aspiration of the government and key local audit system partners that disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the FY 2024/25 backstop date of 27 February 2026).

The government is clear that, where the backstop dates result in modified or disclaimed opinions, local bodies should not be unfairly judged. Auditing standards require auditors to clearly explain the basis of their opinion in their auditor's report – they should distinguish between disclaimed or modified opinions caused by the backstop date and those caused by other factors such as weaknesses in financial reporting or specific material issues in the accounts. This explanation from the auditor should be included as part of the statement of accounts published by a local body on its website by the relevant backstop date.

While the backlog measures will result in modified or disclaimed audit opinions, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations and issue Public Interest Reports – remain a high priority. We also expect local bodies to fully engage with audit work in these areas. It is also the case that, irrespective of the audit process, local bodies should have arrangements in place for accurate and timely financial reporting as part of their internal system control.

Finally, the government recognises the potential relevance of disclaimed or modified opinions to authorities' ability to borrow from private lending markets and to credit ratings. The government's expectation is that private lenders and ratings agencies would factor in the exceptional context and consider their approach on a case-by-case basis.

POLICE & CRIME COMMISSIONER

NORFOLK

GROUP AND PCC
STATEMENT OF ACCOUNTS
31 March 2023

www.norfolk-pcc.gov.uk

Statement of Accounts
for the year ended 31 March 2023

Contents **Page**

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

Please refer to signed audit certificate provided separately.

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:

Sarah Taylor

Police and Crime Commissioner for Norfolk

……………….. 2024

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 2023, and its income and expenditure for the year to that date.

Simon George ACMA, CPFA, BA(Hons), MSc

Chief Finance Officer ……………….. 2024

NARRATIVE REPORT

Message from the former Police and Crime Commissioner, Giles Orpen-Smellie

The financial position for policing remains challenging. While the increased level of funding in the settlement for 2023/24 is welcome, there is still uncertainty surrounding the announcement of indicative multi-year funding allocations with the annual settlement in December 2023. With still high levels of inflationary increases and the war in Ukraine, there is pressure on budgets even before rising demand pressures impact on funds.

The last few years 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, alongside funding for the Serious Violence Duty.

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 outcome of pay discussions for police staff are 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 2023;
- 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 9, 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.

Sarah Taylor

Police and Crime Commissioner for Norfolk

Narrative Report by the Chief Finance Officer, Simon George

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 2023 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 Financial Statements
4. The 2022/23 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Funding Settlement 2023/24 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 2022/23 were approved in February 2022.

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 sixth 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 2023 is estimated as 936,102 (source: Norfolk Observatory) and Norfolk has an older age profile than England as a whole. Approximately 25% of the population in Norfolk are aged 65 and older compared with 19% in England (2023 estimate) and by 2043 it is expected that those aged over 65 will account for almost one third (30%).

Norfolk is a popular tourist destination, and prior to the pandemic had experienced record high visitor rates. In 2021, the county received 2.3m overnight visitors and 29.6m day trips were made, increasing from 2020 which had 1.4m overnight trips and 21.7m day trips. Norfolk's visitor economy in 2021 (total tourism value) was calculated at £2.3bn, an increase from £1.5bn in 2020, and the number of jobs in the county's tourism trade had increased to over 50,700 (from 43,400 in 2020)[1].

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.

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. Coastal erosion presents a risk in some areas and has already caused property losses. 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. These factors pose challenges, again impacting on the policing of the county.

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).

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 the Eastern Region Innovation Network (ERIN) 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 PCC and OPCC are preparing for the potential legislation that may 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

[1] Economic-Impact-of-Tourism-Norfolk-Report-2021.pdf (visiteastofengland.com)

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.

The Norfolk Integrated Domestic Abuse Service (NIDAS) was launched in 2022 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 2022/23, the OPCCN had a total commissioning budget of £3.647m, comprising:

- OPCCN commissioning budget of £1.533m
- Ministry of Justice funding stream of £1.533m, specifically for the commissioning of support services for victims of crime
- Other Commissioning funding of £0.581m.

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 King'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 2022/23 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 2022/23 Revenue and Capital Budget Process

A joint financial planning process took place between June 2021 and January 2022 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 2022/23 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 2022 and presented by the PCC to the Police and Crime Panel at its meeting on 1 February 2022.

These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2022/23 to 2025/26 and was signed off in February 2022.

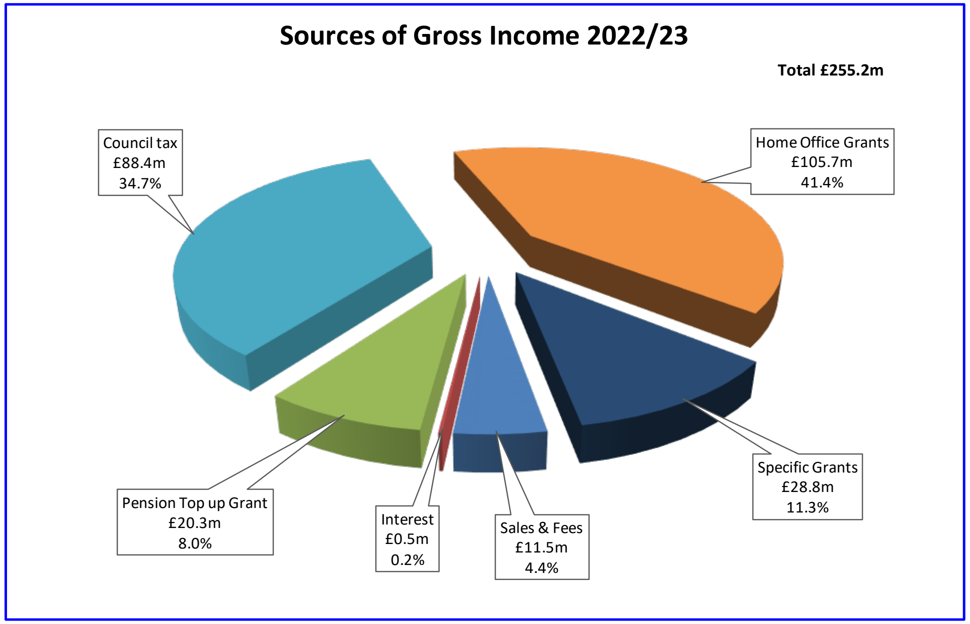
The Medium-Term Financial Plans for the PCC are available at www.norfolk-pcc.gov.uk

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 2022/23:



Revenue Budget

In February 2022, the PCC approved a net revenue budget for 2022/23 of £193.718m. The revenue budget was enhanced by the PCC's decision to increase the policing element of council tax for a Band D property by £10. This stood at £288.00 for 2022/23 (£278.01 2021/22).

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 £2.3m were identified for 2022/23, 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 2023/24 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	205,605	206,056	(451)
Office of the PCC	1,237	1,250	(13)
PCC commissioning	1,533	1,310	223
OPCC - grants	(14,657)	(14,657)	-
Net total contributions to / (from) earmarked reserves	-	(241)	241
Total Net Expenditure	193,718	193,718	-
Funded by:			
Grants income	105,602	105,602	-
Precept income (before collection fund balance adjustment)	88,116	88,116	-
Transfer from / (to) General Reserves	**-**	**-**	**-**

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

2021/22 £000		2022/23 £000
182,993	**Total Net Expenditure per Outturn Report**	193,718
(4,742)	Revenue funding of capital	(3,310)
(2,236)	Minimum Revenue Provision (MRP)	(2,614)
8,567	Depreciation, amortisation and impairments	17,691
69,670	IAS 19 pension service costs (accounting basis)	60,898
(30,986)	Pension contributions (funding basis)	(32,724)
(16)	Movement on compensated absences accrual	(117)
(1,371)	Transfers from / (to) reserves	756
(2)	(Gains) / losses from derecognition of financial assets carried at amortised cost	-
45	Interest received	454
(6,723)	Interest payable	(6,926)
215,200	**Net Cost of Police Services**	**227,827**

The Total Net Expenditure in the Revenue Budget table is different to the Net Cost of Services reported in the CIES (shown on page 15) 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.

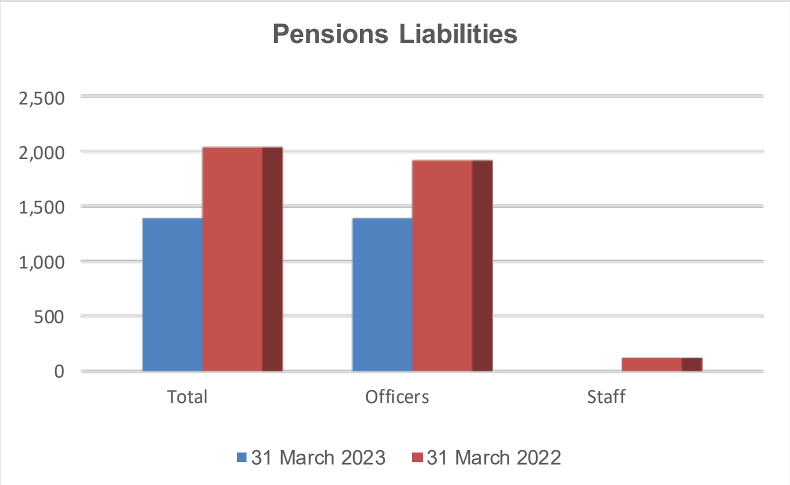
Capital Budget

The Capital Programme for 2022/23, including slippage from 2021/22 and in-year approvals, was £14.729m. Actual expenditure against this total was £11.587m. The under-spend of £3.142m 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 £0.395m 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 (£0.201m), revenue contributions (£3.310m), internal borrowing (£7.410m) and capital receipts (£0.270m).

Long Term Liabilities

Pension Liabilities

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



These liabilities result in the Balance Sheet showing net overall liabilities of £1,360m at 31 March 2023, 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 £22.7m.

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 £30.8m.

Reserves

As at 31 March 2023, the PCC has usable reserves of £22.049m which are available to support revenue and capital spending. These include a general reserve made up of earmarked balances of £16.862m (against which there are significant commitments), a general balance of £4.840m and unapplied capital grants of £0.347m. 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 2022/23, 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 2022/23 (including instant access balances) was £22.4m and the interest received against the budget of £0.151m was £0.454m. The overall return of 2.03% was 0.23% lower than the SONIA average of 2.26%.

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 2023 there were 67,154 recorded crimes, an increase of 1.0% compared to the long-term average (66,469). In spite of this overall increase, there have been some variances in volumes across different crime types. Increases have been recorded in serious sexual offences and violence with injury, whereas decreases have been recorded in domestic abuse, child sexual abuse, hate crime and online crime. 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), ERIN and other Norfolk agencies and voluntary organisations, and investments in modern technologies such as automated number plate recognition, Rapid Video Response, 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. Of note this year, the Horizons change team has rolled out the new Community Support Units. These are four units across the county where student officers will be allocated after their tutorship phase to embed and hone their skills. Previously, after tutorship completion, officers would become an independent SNT Patrol officer. This will be a significant uplift of officers (varying between 30-50 at any one time) who are contributing additional visibility, attendance, and investigation of crime whilst under close supportive leadership in the early part of their policing career. The national uplift programme enabled funding of this significant rise in officers on the frontline. 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 2022/23 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.

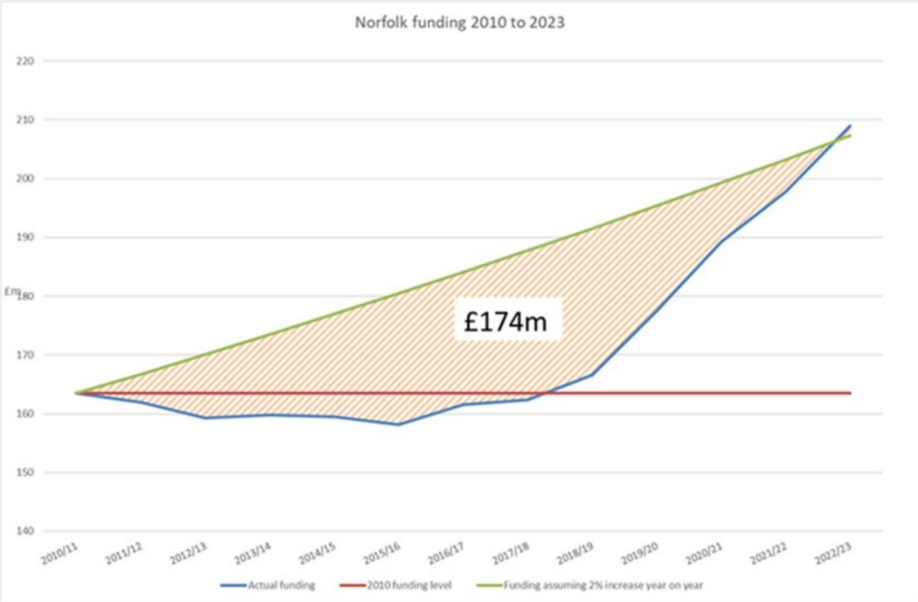
Area	Indicator	2021/22	2022/23
Domestic Abuse	*Number of crimes*	14,060	13,027
	Solved rate	9%	11%
Serious Sexual Offences	*Number of crimes*	2,614	2,643
	Solved rate	7%	8%
Child Sexual Abuse	*Number of crimes*	1,508	1,526
	Solved rate	14%	15%
Hate Crime	*Number of crimes*	1,426	1,303
	Solved rate	11%	16%
Online Crime	*Number of crimes*	2,976	2,879
	Solved rate	9%	10%
Neighbourhood Crime	*Number of crimes*	9,461	9,747
	Solved rate	10%	11%
Violence With Injury	*Number of crimes*	8,250	8,640
	Solved rate	14%	15%
Call Handling	*% 999 calls answered in 10 seconds*	89%	85%
Emergency Response	*% of emergencies responded to in target time*	88%	86%
Road Safety	*Number of KSI collisions*	385	393

Demands on the Constabulary have changed in nature in recent years. Serious sexual offences, violence with injury, and neighbourhood crime have increased, while crimes such as domestic abuse and child sexual abuse have decreased. In 2020/21, the onset of the Covid-19 pandemic impacted the demand recorded in some vulnerability crime types. Crime categories that have seen a reduction in volume are accompanied by increased solved rates, reflecting 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 declined which is likely to be linked with increasing 999 demand between 2020/21 and 2022/23.

7. Funding Settlement 2023/24 and beyond

Public sector funding has been constrained since 2010 and that has been no different for the police service. In the graph below, the blue line 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 green 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 c£174m of inflation over that time. When the impact of other statutory and legislative changes that have increased costs to the organization are added (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 pressure on annual budgets has been even more significant.



It should be noted, that within this context, Norfolk Constabulary has once again been judged as **Outstanding** for Good Use of Resources by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). This assesses how efficiently the force uses the finite funds it receives, and how well the force understands the demands placed upon it both now and in the future. 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 2023 the Constabulary has made savings of over £42m from their annual budgets.

Globally, economies around the world had suffered as a result of the Covid-19 pandemic, and coupled with the exit from the European Union there has been increased disruption to supply chains and increases in costs. This has been compounded since March 2022 with the conflict in Ukraine that has resulted in surging energy prices and unprecedented increases in inflation. As a consequence, in order to get inflation under control, the Bank of England has increased interest rates to their highest levels since 2008, and this has increased the cost of borrowing and as we enter 2023/24 this volatility looks set to remain for some months to come.

In the Spending Review 2021 (SR21), inflation was forecast to be 4%, 2.6%, 2.1% and 2% respectively for each year from 2022/23 onwards. In October 2022 the rate of inflation was running at 11.1%, significantly higher than the 4% forecast. As a number of the Constabulary contracts were at fixed rates, and not subject to inflationary increases from the start of the year, coupled with longer lead in times for some high-cost items (e.g. vehicles and ICT kit and equipment), the Constabulary has broadly been able to manage within its overall budget envelope in 2022/23 outturning with a small overspend.

There are significant pressures going into 2023/24, with inflation running at much higher levels than anticipated ahead of the conflict in Ukraine, there has been increased pressure on pay settlements. The outcome of the police officer and police staff pay awards was a 5% increase overall with a gross cost pressure of £5m in 2022/23. Set against inflation of over 11% it is expected that higher than previously planned for pay settlements will arise in 2023/24 and the budget report assumes a 3.0% increase, with a cost pressure of £11.6m (being the full-year impact of the 2022/23 award rolling into 2023/24 as well as the forecast 2023/24 award from 1st September 2023). This is set against an increase in government funding of £1.9m (1.75%).

	2022/23	2023/24	Variance	
	£000	£000	£000	%
Police Core Grant	96,298	96,632	334	0.34%
Ringfenced Grant (Uplift)	1,510	3,076	1,566	103.71%
Legacy Council Tax Grants	9,305	9,305	0	0%
Pensions Grant	1,565	1,565	0	0%
Total all Grants	**108,678**	**110,578**	**1,900**	**1.75%**

Increasing and maintaining police officer numbers to meet government Police Uplift Programme (PUP) targets through to at least 2024/25 means that savings requirements will have to be met from a significantly smaller proportion of our budget that excludes officer pay. The government funding for PUP for 2023/24 must be spent on the costs of recruiting officers, plus the additional costs that support recruitment, training, uniform provision, vehicles and the other back-office functions that make the recruitment and retention of officers possible. Therefore, this does not then help fund the additional pressures outlined previously.

Central funding for PUP means that officer numbers cannot be frozen or cut during this period as £3.076m of funding (shown in the above table) is linked to achieving the Uplift targets.

As part of the police settlement PCCs were given the flexibility to increase the precept by up to £15 per annum (22 pence per week at Band B / 29 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 balance the budget and help maintain current levels of service in the face of high levels of inflation.

However, the detailed settlement for forces only outlined detail for 2023/24. This leaves some uncertainty on the financial detail going forward and there will be a general election no later than January 2025.

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 has now commenced 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 2023/24 to 2026/27 and these can be found at the link 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. The PCC and Constabulary are well equipped to meet these challenges as reflected in the **Outstanding** rating for Good Use of Resources by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

Simon George ACMA, CPFA, BA(Hons), MSc

Chief Finance Officer

Comprehensive Income and Expenditure Statement for the PCC for Norfolk Group for the year ended 31 March 2023

Gross Expenditure 2021/22 £000	Income 2021/22 £000	Net Expenditure 2021/22 £000		Note	Gross Expenditure 2022/23 £000	Income 2022/23 £000	Net Expenditure 2022/23 £000
			Division of service:				
234,982	(23,842)	211,140	Constabulary		242,237	(28,225)	214,011
12,199	(9,598)	2,602	Office of the PCC		22,043	(9,736)	12,307
3,377	(1,919)	1,458	PCC commissioning		3,817	(2,308)	1,508
250,559	**(35,359)**	**215,200**	**Net cost of police services**		**268,096**	**(40,269)**	**227,827**
			Other operating expenditure:				
-	(20,574)	(20,574)	Home Office contribution to police pensions	**(i)**	-	(20,307)	(20,307)
-	(126)	(126)	Loss / (profit) on disposal of fixed assets		126	-	126
-	**(20,700)**	**(20,700)**			**126**	**(20,307)**	**(20,181)**
			Financing and investment income and expenditure:				
6,723	-	6,723	Interest payable and similar charges		6,926	-	6,926
40,893	-	40,893	Pensions interest cost	**16**	54,190	-	54,190
-	(45)	(45)	Interest and investment income		-	(454)	(454)
2	-	2	(Gains) / losses from derecognition of financial assets carried at amortised cost		-	-	-
47,618	**(45)**	**47,573**			**61,116**	**(454)**	**60,662**
			Taxation and non-specific grant Income:				
-	(67,544)	(67,544)	General grants	**7**	-	(71,111)	(71,111)
-	(335)	(335)	Capital grants and contributions		-	(114)	(114)
-	(32,561)	(32,561)	Former DLUHC funding	**7**	-	(34,492)	(34,492)
-	(84,161)	(84,161)	Precepts	**11**	-	(88,437)	(88,437)
-	**(184,600)**	**(184,600)**			**-**	**(194,154)**	**(194,154)**
		57,472	**Deficit / (surplus) on the provision of services**				**74,154**
			Other comprehensive income and expenditure:				
		(4,092)	(Surplus) / deficit on the revaluation of assets	**13**			(11,481)
		(53,684)	Remeasurements of the net defined benefit liability	**16**			(709,864)
		(57,776)					**(721,345)**
		(304)	**Total comprehensive income and expenditure**				**(647,191)**

(i) Details within the Police Pension Fund Account Statement

Comprehensive Income and Expenditure Statement for the PCC for the year ended 31 March 2023

Gross Expenditure 2021/22 £000	Income 2021/22 £000	Net Expenditure 2021/22 £000		Note	Gross Expenditure 2022/23 £000	Income 2022/23 £000	Net Expenditure 2022/23 £000
			Division of service:				
12,199	(9,598)	2,602	Office of the PCC		22,043	(9,736)	12,307
3,377	(1,919)	1,458	PCC commissioning		3,817	(2,308)	1,508
15,577	**(11,517)**	**4,060**	**Net cost of police services before group funding**		**25,859**	**(12,044)**	**13,815**
193,251	-	193,251	Intra-group funding	**5**	206,493	-	206,493
208,828	**(11,517)**	**197,311**	**Net cost of police services**		**232,353**	**(12,044)**	**220,308**
			Other operating expenditure:				
-	(20,574)	(20,574)	Home Office contribution to police pensions	**(i)**	-	(20,307)	(20,307)
-	(126)	(126)	Loss / (profit) on disposal of fixed assets		126	-	126
-	**(20,700)**	**(20,700)**			**126**	**(20,307)**	**(20,181)**
			Financing and investment income and expenditure:				
6,723	-	6,723	Interest payable and similar charges		6,926	-	6,926
62	-	62	Pensions interest cost	**16**	68	-	68
-	(45)	(45)	Interest and investment income		-	(454)	(454)
6,787	**(45)**	**6,742**			**6,994**	**(454)**	**6,540**
			Taxation and non-specific grant income:				
-	(67,544)	(67,544)	General grants	**7**	-	(71,111)	(71,111)
-	(335)	(335)	Capital grants and contributions		-	(114)	(114)
-	(32,561)	(32,561)	Former DLUHC funding	**7**	-	(34,492)	(34,492)
-	(84,161)	(84,161)	Precepts	**11**	-	(88,437)	(88,437)
-	**(184,600)**	**(184,600)**			**-**	**(194,154)**	**(194,154)**
		(1,248)	**Deficit / (surplus) on the provision of services**				**12,513**
			Other comprehensive income and expenditure:				
		(4,092)	(Surplus) / deficit on the revaluation of assets	**13**			(11,481)
		(800)	Remeasurements of the net defined benefit liability	**16**			(2,651)
		(4,892)					**(14,132)**
		(6,139)	**Total comprehensive income and expenditure**				**(1,618)**

Balance Sheet for the PCC for Norfolk Group and the PCC for Norfolk as at 31 March 2023

Group 31 March 2022 £000	PCC 31 March 2022 £000		Notes	Group 31 March 2023 £000	PCC 31 March 2023 £000
101,543	101,543	Property, plant and equipment	**13**	106,225	106,225
2,154	2,154	Intangible assets	**13**	2,058	2,058
103,697	103,697	**Total long term assets**		108,282	108,282
673	673	Inventories		788	788
21,645	21,645	Short term debtors, prepayments & deferred costs	**18**	27,256	27,256
13,416	13,416	Cash and cash equivalents	**19**	1,175	1,175
2,001	2,001	Short term investments	**17**	2,000	2,000
492	492	Assets held for sale	**20**	492	492
38,228	38,228	**Current assets**		31,711	31,711
141,925	**141,925**	**TOTAL ASSETS**		**139,994**	**139,994**
21,546	19,971	Short-term creditors and accruals	**21**	23,661	22,202
1,761	1,761	Short term borrowing	**23**	1,402	1,402
1,616	1,616	Provisions	**25**	1,605	1,605
64	64	Short term grants receipts in advance		60	60
1,770	1,770	PFI liabilities	**15**	1,910	1,910
26,757	25,181	**Current liabilities**		28,638	27,179
2,037,275	2,353	Pension liability	**16**	1,389,469	5
31,732	31,732	Long term borrowing	**23**	30,453	30,453
53,451	53,451	PFI liabilities	**15**	51,540	51,540
12	12	Grants receipts in advance		3	3
2,122,469	87,547	**Long term liabilities**		1,471,465	82,001
2,149,225	**112,728**	**TOTAL LIABILITIES**		**1,500,103**	**109,181**
(2,007,301)	**29,196**	**NET ASSETS / (LIABILITIES)**		**(1,360,110)**	**30,812**
22,892	22,892	Usable reserves	**(ii)**	22,049	22,048
(2,030,193)	6,304	Unusable reserves	**28**	(1,382,159)	8,764
(2,007,301)	**29,196**	**TOTAL RESERVES**		**(1,360,110)**	**30,812**

These audited statements replace those issued on 29th December 2023

Simon George ACMA, CPFA, BA(Hons), MSc

Chief Finance Officer

(ii) Details within the Movement in Reserves Statement

Movement in Reserves Statement for the PCC for Norfolk Group

Year Ended 31 March 2023	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 2022		**22,458**	**-**	**434**	**22,891**	**(2,030,193)**	**(2,007,302)**
Movement in reserves during 2022/23							
Surplus or (deficit) on provision of services (accounting basis)	**(iii)**	(74,154)	-	-	**(74,154)**	**-**	**(74,154)**
Other comprehensive income and expenditure	**(iii)**	-	-	-	**-**	**721,345**	**721,345**
Total comprehensive income and expenditure		**(74,154)**	**-**	**-**	**(74,154)**	**721,345**	**647,191**
Amortisation of intangible assets	**13**	518	-	-	**518**	**(518)**	**-**
Depreciation on property, plant and equipment	**13**	7,463	-	-	**7,463**	**(7,463)**	**-**
Revaluation losses on property, plant and equipment	**13**	9,710	-	-	**9,710**	**(9,710)**	**-**
Capital grants and contributions credited to the CIES	**(iii)**	(114)	-	114	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(201)	**(201)**	**201**	**-**
Net gain or loss on the sale of non-current assets	**(iii)**	126	270	-	**396**	**(396)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		82,364	-	-	**82,364**	**(82,364)**	**-**
Movement on the Collection Fund Adjustment Account		(321)	-	-	**(321)**	**321**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(3,310)	-	-	**(3,310)**	**3,310**	**-**
Statutory provision for the repayment of debt	**14**	(2,614)	-	-	**(2,614)**	**2,614**	**-**
Contribution to the Police Pension Fund	**(iii)**	(20,307)	-	-	**(20,307)**	**20,307**	**-**
Movement on the Compensated Absences Account		(117)	-	-	**(117)**	**117**	**-**
Use of capital receipts to fund asset purchases		-	(270)	-	**(270)**	**270**	**-**
Adjustments between accounting basis and funding basis under regulations		**73,398**	**-**	**(87)**	**73,311**	**(73,311)**	**-**
Increase / (decrease) in year		**(756)**	**-**	**(87)**	**(843)**	**648,034**	**647,191**
Balance at 31 March 2023		**21,702**	**-**	**347**	**22,049**	**(1,382,159)**	**(1,360,110)**

(iii) Details within the Comprehensive Income and Expenditure Statement

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)**	(57,472)	-	-	**(57,472)**	**-**	**(57,472)**
Other comprehensive income and expenditure	**(iii)**	-	-	-	**-**	**57,776**	**57,776**
Total comprehensive income and expenditure		**(57,472)**	**-**	**-**	**(57,472)**	**57,776**	**304**
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		(1,273)	-	-	**(1,273)**	**1,273**	**-**
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		**58,843**	**-**	**70**	**58,913**	**(58,913)**	**-**
Increase / (decrease) in year		**1,371**	**-**	**70**	**1,440**	**(1,137)**	**304**
Balance at 31 March 2022		**22,458**	**-**	**434**	**22,892**	**(2,030,193)**	**(2,007,301)**

Movement in Reserves Statement for the PCC for Norfolk

Year Ended 31 March 2023	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 2022		**22,458**	**-**	**434**	**22,892**	**6,304**	**29,196**
Movement in reserves during 2022/23							
Surplus or (deficit) on provision of services (accounting basis)	**(iii)**	(12,513)	-	-	**(12,513)**	**-**	**(12,513)**
Other comprehensive income and expenditure	**(iii)**	-	-	-	**-**	**14,132**	**14,132**
Total comprehensive income and expenditure		**(12,513)**	**-**	**-**	**(12,513)**	**14,132**	**1,618**
Amortisation of intangible assets	**13**	518	-	-	**518**	**(518)**	**-**
Depreciation on property, plant and equipment	**13**	7,463	-	-	**7,463**	**(7,463)**	**-**
Revaluation losses on property, plant and equipment	**13**	9,710	-	-	**9,710**	**(9,710)**	**-**
Capital grants and contributions credited to the CIES	**(iii)**	(114)	-	114	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(201)	**(201)**	**201**	**-**
Net gain or loss on the sale of non-current assets	**(iii)**	126	270	-	**396**	**(396)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		302	-	-	**302**	**(302)**	**-**
Movement on the Collection Fund Adjustment Account		(321)	-	-	**(321)**	**321**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(3,310)	-	-	**(3,310)**	**3,310**	**-**
Statutory provision for the repayment of debt	**14**	(2,614)	-	-	**(2,614)**	**2,614**	**-**
Use of capital receipts to fund asset purchases		-	(270)	-	**(270)**	**270**	**-**
Adjustments between accounting basis and funding basis under regulations		**11,759**	**-**	**(87)**	**11,672**	**(11,672)**	**-**
Increase / (decrease) in year		**(754)**	**-**	**(87)**	**(841)**	**2,459**	**1,619**
Balance at 31 March 2023		**21,704**	**-**	**347**	**22,048**	**8,764**	**30,812**

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)**	1,248	-	-	**1,248**	**-**	**1,248**
Other comprehensive income and expenditure	**(iii)**	-	-	-	**-**	**4,892**	**4,892**
Total comprehensive income and expenditure		**1,248**	**-**	**-**	**1,248**	**4,892**	**6,139**
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		(1,273)	-	-	**(1,273)**	**1,273**	**-**
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		**124**	**-**	**70**	**193**	**(193)**	**-**
Increase / (decrease) in year		**1,371**	**-**	**70**	**1,441**	**4,698**	**6,140**
Balance at 31 March 2022		**22,458**	**-**	**434**	**22,892**	**6,304**	**29,196**

Cash Flow Statement for the PCC for Norfolk Group and PCC for Norfolk
For the year ended 31 March 2023

Group 2021/22 £000	PCC 2021/22 £000		Note	Group 2022/23 £000	PCC 2022/23 £000
(57,472)	**1,248**	**Net surplus / (deficit) on the provision of services**	**(iii)**	**(74,154)**	**(12,513)**
61,704	2,983	Adjustment for non cash or cash equivalent movements	**22**	76,547	14,909
(335)	(335)	Capital grants and contributions	**(iii)**	(114)	(114)
3,896	**3,896**	**Net cash flows from operating activities**		**2,279**	**2,281**
		Investing activities			
(10,262)	(10,262)	Purchase of non current assets		(11,518)	(11,518)
(18,000)	(18,000)	Purchase of short-term or long-term investments		(14,000)	(14,000)
467	467	Proceeds from the sale of non currents assets		270	270
16,000	16,000	Proceeds from short-term or long-term investments		14,000	14,000
(11,795)	**(11,795)**	**Net cash flows from investing activities**		**(11,248)**	**(11,248)**
		Financing activities			
10,000	10,000	Cash receipts of short and long-term borrowing		-	-
335	335	Other receipts from financing activities		114	114
(1,383)	(1,383)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts		(1,770)	(1,770)
(393)	(393)	Repayments of short and long-term borrowing		(1,617)	(1,617)
8,558	**8,558**	**Net cash flows from financing activities**		**(3,272)**	**(3,272)**
659	**661**	**Net increase or (decrease) in cash and cash equivalents**		**(12,241)**	**(12,240)**
12,756	12,756	Cash and cash equivalents at the beginning of the reporting period	**19**	13,416	13,416
13,416	**13,416**	**Cash and cash equivalents at the end of the reporting period**	**19**	**1,175**	**1,175**

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 2021/22 £000	Group Position	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2022/23 £000
			Year ended 31 March			
172,677	38,463	211,140	Constabulary	186,188	27,823	214,011
(6,171)	8,773	2,602	Office of the PCC	(5,618)	17,925	12,307
1,458	-	1,458	PCC commissioning	1,508	-	1,508
167,963	**47,236**	**215,200**	**Net cost of police services**	**182,078**	**45,748**	**227,827**
(169,335)	11,608	(157,728)	Other income and expenditure	(181,322)	27,649	(153,673)
(1,372)	**58,844**	**57,472**	**Deficit / (surplus) on the provision of services**	**756**	**73,398**	**74,154**
21,088			Opening general fund balance at 1 April	22,458		
22,458			**Closing general fund balance at 31 March**	**21,702**		

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 2021/22 £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 2022/23 £000
			Year ended 31 March			
(6,171)	8,773	2,602	Office of the PCC	(5,618)	17,925	12,307
1,458	-	1,458	PCC commissioning	1,508	-	1,508
193,251	-	193,251	Intra-group funding	206,493	-	206,493
188,538	**8,773**	**197,311**	**Net cost of police services**	**202,383**	**17,925**	**220,308**
(189,909)	(8,649)	(198,559)	Other income and expenditure	(201,629)	(6,166)	(207,795)
(1,371)	**124**	**(1,248)**	**Deficit / (surplus) on the provision of services**	**754**	**11,759**	**12,513**
21,088			Opening general fund balance at 1 April	22,458		
22,458			**Closing general fund balance at 31 March**	**21,702**		

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 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2008 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
- 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. All of the schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Constabulary and the Office of the Police and Crime Commissioner, and all of the schemes are accounted for as defined benefit schemes.

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

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

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

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

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

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

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

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

Discretionary Benefits

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

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

Events after the reporting period

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

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

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

Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Government grants and contributions

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

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

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

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

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

Investment policy

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

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

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

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

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

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

All cash invested by the PCC in 2022/23 was in Sterling deposits 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:

<u>Revaluation Reserve</u>

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.

<u>Capital Adjustment Account</u>

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 can only be discontinued under statutory prescription and therefore 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 7 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 2023/24 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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 2023, and these standards will be initially adopted as at 1 April 2023, 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 2023/24 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 intends to adopt this standard from 1 April 2024.

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 2023/24 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 2022/23 and are reflected in the financial statements.

- Under accounting standards, an asset ceiling may be applied to the surplus on the pension fund. This limits the surplus recognised in the accounts to the present value of any economic benefits available in the form of either refunds from the plan or reductions in future contributions to the plan. However, as the Employer has no unconditional right to a refund from the Fund, there is therefore no economic benefit available as a refund, so a judgment has been made to limit the surplus recognised in the accounts to the present value of reductions in future contributions.

- 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.

- To improve the efficient use of publicly owned buildings, the PCC and other local government bodies engage in the shared use of key sites. This includes fire stations, where sites have been redeveloped to accommodate police stations and offices. The PCC has made significant financial contributions to these development projects. Rights to access the land and shared areas are granted through leasehold arrangements. Many of the leases contain options to break by both parties at regular dates throughout the lease terms and as such are classified as operating leases for accounting purposes. The capital contributions made by the PCC are however protected by clauses that require the lessor to repay to the lessee the capital contributions made, less depreciation, in the event of the lessor issuing a break notice. The PCC therefore receives the full benefit of the contributions made, either by use of the asset throughout the full term of the lease or by way of a repayment of the contribution made. As such the contributions to the redevelopments made are de facto assets and have been capitalised and depreciated over the full lease term as there is no current intention by the PCC to issue an early option to break notice. As the value and associated cash flow of these assets are linked to the depreciated historic cost, the valuers consider depreciated historic cost as an appropriate proxy for current value.

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £136.6m.

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 2022 to 31 March 2023.

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 £18.2m

Property £72.6m

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	(908)	(9,077)	(18,154)
Change in the revaluation reserve	(803)	(7,981)	(15,253)
Additional charge to Other Comprehensive Income and Expenditure in the CIES	104	1,096	2,901

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 2023. 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 2021/22 £000	Group Position	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2022/23 £000
-	38,478	(15)	38,463	Constabulary	-	27,940	(117)	27,823
8,567	206	-	8,773	Office of the PCC	17,691	234	-	17,925
-	-	-	-	PCC commissioning	-	-	-	-
8,567	**38,684**	**(15)**	**47,236**	**Net Cost of Police Services**	**17,691**	**28,174**	**(117)**	**45,748**
(7,439)	20,319	(1,273)	11,608	Other income and expenditure	(5,913)	33,883	(321)	27,649
1,129	**59,003**	**(1,288)**	**58,844**	**Difference between General Fund Deficit / (Surplus) & CIES Deficit / (Surplus)**	**11,778**	**62,058**	**(438)**	**73,398**

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 2021/22 £000	Office of the PCC	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2022/23 £000
8,567	206	-	8,773	Office of the PCC	17,691	234	-	17,925
-	-	-	-	PCC commissioning	-	-	-	-
8,567	**206**	**-**	**8,773**	**Net Cost of Police Services**	**17,691**	**234**	**-**	**17,925**
(7,439)	62	(1,273)	(8,649)	Other income and expenditure	(5,913)	68	(321)	(6,166)
1,129	**268**	**(1,273)**	**124**	**Difference between General Fund Deficit / (Surplus) & CIES Deficit / (Surplus)**	**11,778**	**302**	**(321)**	**11,759**

Expenditure and Income Analysed by Nature

Total Constab' £000	Total Office of the PCC £000	Total PCC's Comm' £000	Total Group 2021/22 £000	Total PCC 2021/22 £000		Total Constab' £000	Total Office of the PCC £000	Total PCC's Comm' £000	Total Group 2022/23 £000	Total PCC 2022/23 £000
					Expenditure					
202,192	899	663	**203,753**	**1,562**	Employee benefits expenses	202,836	1,022	698	**204,556**	**1,720**
32,791	2,733	2,714	**38,238**	**5,447**	Other service expenditure	39,400	3,330	3,119	**45,849**	**6,448**
-	8,567	-	**8,567**	**8,567**	Depreciation, amortisation & impairment	-	17,691	-	**17,691**	**17,691**
40,831	62	-	**40,893**	**62**	Net pensions interest cost	54,122	44	-	**54,166**	**44**
-	6,723	-	**6,723**	**6,723**	Interest payments	-	6,926	-	**6,926**	**6,926**
-	2	-	**2**	**2**	(Gains) / losses from derecognition of financial assets carried at amortised cost	-	-	-	**-**	**-**
-	-	-	**-**	**-**	Loss on the disposal of assets	-	126	-	**126**	**126**
275,813	**18,987**	**3,377**	**298,177**	**22,364**	**Total Expenditure**	**296,359**	**29,138**	**3,817**	**329,314**	**32,955**
					Income					
(8,885)	(220)	(304)	**(9,409)**	**(524)**	Fees, charges and other service income	(10,681)	(268)	(491)	**(11,441)**	**(760)**
-	(45)	-	**(45)**	**(45)**	Interest and investment income	-	(454)	-	**(454)**	**(454)**
-	(84,161)	-	**(84,161)**	**(84,161)**	Income from council tax	-	(88,437)	-	**(88,437)**	**(88,437)**
(14,957)	(130,391)	(1,616)	**(146,964)**	**(132,006)**	Government grants and contributions	(17,544)	(135,490)	(1,817)	**(154,852)**	**(137,308)**
-	(126)	-	**(126)**	**(126)**	Gain on the disposal of assets	-	-	-	**-**	**-**
(23,842)	**(214,944)**	**(1,919)**	**(240,705)**	**(216,863)**	**Total Income**	**(28,225)**	**(224,650)**	**(2,308)**	**(255,184)**	**(226,959)**
251,971	**(195,957)**	**1,458**	**57,472**	**(194,499)**	**Deficit/(Surplus) on the Provision of Services**	**268,133**	**(195,512)**	**1,508**	**74,130**	**(194,004)**
	193,251			**193,251**	Intra Group Funding		**206,493**			**206,493**
	(2,706)	**1,458**		**(1,248)**	**Deficit/(Surplus) on the Provision of Services after Intra Group Funding (Total PCC Only)**		**10,981**	**1,508**		**12,489**

7. Government Grants

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

	Group		PCC	
	Amount Receivable for 22/23 £000	Amount Receivable for 21/22 £000	Amount Receivable for 22/23 £000	Amount Receivable for 21/22 £000
Credited to Taxation and Non Specific Grant Income				
General police grant	61,806	58,303	61,806	58,303
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)	-	(63)
Capital grants and contributions	13	237	13	237
Former DLUHC funding	34,492	32,561	34,492	32,561
Precepts	88,437	84,161	88,437	84,161
	194,052	**184,503**	**194,052**	**184,503**
Credited to Other Operating Expenditure				
Home Office contribution to police pensions	20,307	20,574	20,307	20,574
	20,307	**20,574**	**20,307**	**20,574**
Credited to Services				
Police incentivisation	269	337	-	-
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	1,604	1,401	-	-
Serious Violence Duty	30	-	-	-
Other specific grants	18,633	15,889	4,526	4,235
	28,859	**25,950**	**11,285**	**10,993**

Other specific grants credited to services for the Group include £2.0m Operation Hydrant, a Specific Home Office Grant of £3.7m, £4.7m TOEX (tackling organised exploitation) grant, £1.9m Operation Uplift and a £1.5m Ministry of Justice Grant, the latter was wholly credited to services for the PCC.

8. Employees' Remuneration

The numbers of employees and senior police officers (Chief Superintendent and above) whose remuneration exceeded £50k in 2022/23 were as follows:

Group 2022/23	Group 2021/22	Remuneration	OPCC 2022/23	OPCC 2021/22
22	20	£50,000 - £54,999	1	-
11	8	£55,000 - £59,999	1	-
8	10	£60,000 - £64,999	-	2
3	3	£65,000 - £69,999	1	-
8	5	£70,000 - £74,999	-	1
4	2	£75,000 - £79,999	2	-
3	1	£80,000 - £84,999	-	-
1	3	£85,000 - £89,999	-	-
4	4	£90,000 - £94,999	-	-
4	3	£95,000 - £99,999	-	-
1	1	£105,000 - £109,999	-	-
-	1	£110,000 - £114,999	-	1
2	-	£115,000 - £119,999	-	-
-	1	£120,000 - £124,999	-	-
1	-	£125,000 - £129,999	1	-
2	1	£130,000 - £134,999	-	-
-	1	£135,000 - £139,999	-	-
-	1	£160,000 - £164,999	-	-
1	-	£170,000 - £174,999	-	-

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
2022/23				
Position held				
• Chief Constable - Paul Sanford	172	48	-	220
• Deputy Chief Constable (from 28.4.22) Temporary Deputy Chief Constable (to 28.4.22)	133	39	1	173
• Assistant Chief Constable	131	34	-	165
• Temporary Assistant Chief Constable (from 5.9.22)	107	29	-	136
• Temporary Assistant Chief Constable (from 1.1.23 to 1.2.23	98	29	-	127
• Assistant Chief Officer	116	19	-	135
• Police and Crime Commissioner	77	13	-	90
• Chief Executive (PCC)	126	22	-	148
• CFO (PCC) - 0.6 FTE	59	10	-	69
2021/22				
Position held				
• Chief Constable - Simon Bailey (to 30.6.21)	45	-	1	46
• Chief Constable - Paul Sanford (from 2.12.21) Temporary Chief Constable (from 1.7.21 to 1.12.21) Deputy Chief Constable (to 30.6.21)	160	42	4	206
• Temporary Deputy Chief Constable (from 14.6.21) Assistant Chief Constable (to 13.6.21)	129	37	2	168
• Assistant Chief Constable	135	37	-	172
• 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	-	-	8
• Police and Crime Commissioner (from 13.5.21)	65	11	-	76
• Chief Executive (PCC)	120	21	-	141
• CFO (PCC) - 0.6 FTE	48	9	-	57

"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."

During 2022/23 a Suffolk Constabulary officer acted until 4.9.22 as a Temporary ACC in a joint capacity, Norfolk Constabulary contributed 56.4% towards the cost of this post.

During 2022/23, a chief officer from Norfolk Constabulary acted as an Assistant Chief Constable (ACC) from 5.9.22 in a joint capacity, Suffolk Constabulary contributed 43.6% 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**	
	2022/23	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
£000							**£000**	**£000**
Group								
0-20	-	16	1	2	1	18	5	188
20-40	2	10	-	-	2	10	71	275
40-60	-	1	-	-	-	1	-	42
	2	27	1	2	3	29	75	505

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 2022/23 there were no material related party transactions involving officers of the PCC or senior officers of the Constabulary, other than those included under employee's remuneration set out in Note 8 of these financial statements. The PCC and other senior officers have been written to requesting details of any related party transactions and there are no disclosures.

Central Government has effective control over the general operations of the PCC, it is responsible for providing the statutory framework within which the PCC operates, provides the majority of its funding and prescribes the terms of many of the transactions that the PCC has with other parties. Income from central government is set out in Note 7 of these financial statements.

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

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

10. Collaborative Arrangements

Local Collaboration

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

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

	Business Support £000	Justice Services £000	Protective Services £000	County Policing £000	Total £000
2022/23					
Suffolk PCC	21,714	12,966	17,351	539	52,570
Norfolk PCC	28,089	16,773	22,444	697	68,003
Total shared running costs	**49,803**	**29,739**	**39,795**	**1,236**	**120,573**
2021/22					
Suffolk PCC	19,983	12,217	16,227	555	48,982
Norfolk PCC	26,167	15,998	21,249	726	64,141
Total shared running costs	**46,150**	**28,216**	**37,477**	**1,281**	**113,123**

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 is for an indefinite duration.

The net expenditure incurred by each force in relation to ERSOU (Eastern Region Specialist Operation Unit) is as follows:

	Total 2022/23 £000	Total 2021/22 £000 Restated
Operating costs	30,057	24,703
Specific Home Office grant	(10,479)	(6,785)
Total deficit for the year	**19,578**	**17,918**
Contributions from forces:		
Bedfordshire	(2,112)	(2,016)
Cambridgeshire	(2,655)	(2,572)
Essex	(2,661)	(2,059)
Hertfordshire	(3,788)	(3,655)
Kent	(3,044)	(2,488)
Norfolk	(3,001)	(2,908)
Suffolk	(2,317)	(2,220)
	-	**-**

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 2022/23 £000	Total 2021/22 £000
Operating costs	3,869	2,248
Contributions from forces:		
Bedfordshire	339	187
Cambridgeshire	427	240
Hertfordshire	608	340
Essex	798	488
Kent	844	517
Norfolk	482	270
Suffolk	372	206
	3,869	**2,248**

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 £152k 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 2022/23 the precept, including the estimated 2021/22 collection fund surplus / (deficit), was paid to the PCC during the year and amounted to £88.1m 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:

2021/22 £000		Received from Billing Authority £000	Outturn surplus / (deficit) on Collection Fund at 31 March 2022 £000	Outturn surplus / (deficit) on Collection Fund at 31 March 2023 £000	Total 2022/23 £000
12,454	Breckland	12,999	102	251	13,148
13,060	Broadland	13,789	188	118	13,720
14,571	Kings Lynn & West Norfolk	15,227	20	(12)	15,195
10,405	Norwich	10,883	50	168	11,001
8,082	Great Yarmouth	8,502	33	8	8,477
11,451	North Norfolk	11,822	27	125	11,921
14,139	South Norfolk	14,892	157	240	14,975
84,161		**88,116**	**576**	**898**	**88,437**

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 2022 £000		Collection Fund £000	Net Arrears £000	Pre-payments £000	Balance at 31 March 2023 £000
278	Breckland	(251)	646	(215)	180
(220)	Broadland	(118)	163	(171)	(127)
365	Kings Lynn & West Norfolk	12	670	(307)	375
66	Norwich	(168)	445	(332)	(55)
426	Great Yarmouth	(8)	636	(233)	396
108	North Norfolk	(125)	341	(214)	2
5	South Norfolk	(240)	405	(232)	(67)
1,030		**(898)**	**3,307**	**(1,705)**	**703**

12. External Audit Fees

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

2021/22 £000		2022/23 £000
	The Group has incurred the following costs in relation to the audit of the Statement of Accounts	
26	The PCC for Norfolk	34
14	The PCC for Norfolk scale fee variation 2019/20	-
23	The PCC for Norfolk scale fee variation 2020/21	-
12	The Chief Constable of Norfolk	16
7	The Chief Constable for Norfolk scale fee variation 2019/20	-
9	The Chief Constable for Norfolk scale fee variation 2020/21	-
90		**51**

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

The scale fee set by PSAA has been reduced by £2.6k (£1.7k for the PCC and £0.8k for the Chief Constable), this has not been received as a cash rebate. The net value is payable to the external auditors. In 2021/22 a cash rebate was received from PSAA to the value of £7.4k (£5.1k for the PCC, £2.3k for the Chief Constable).

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 2021/22 £000		Land and buildings £000	Vehicles plant and equipment £000	Assets under construction £000	Surplus assets £000	Total 2022/23 £000
				Property, Plant & Equipment					
				Historic cost or revaluation					
79,670	34,836	3,586	118,092	Balance at 1 April	81,311	36,338	8,228	-	125,877
(271)	24	(260)	(508)	Reclassifications	12,504	138	(12,892)	49	(202)
808	4,723	4,902	10,433	Additions	955	4,556	5,460	-	10,971
(118)	(3,244)	-	(3,362)	Derecognition - disposals	(287)	(2,861)	-	-	(3,148)
1,222	-	-	1,222	Revaluation gains / losses	(631)	-	-	51	(580)
81,311	**36,338**	**8,228**	**125,877**	**Balance at 31 March**	**93,852**	**38,171**	**796**	**100**	**132,919**
				Depreciation and impairments					
1,835	20,944	-	22,778	Balance at 1 April	2,163	22,171	-	-	24,334
(1)	-	-	(1)	Reclassifications	(7)	14	(18)	7	(4)
(2,351)	-	-	(2,351)	Depreciation written out on revaulation	(2,345)	-	-	(7)	(2,351)
(118)	(3,084)	-	(3,202)	Derecognition - disposals	(9)	(2,743)	-	-	(2,752)
2,798	4,312	-	7,110	Depreciation for the year	3,277	4,172	18	-	7,467
2,163	**22,171**	**-**	**24,334**	**Balance at 31 March**	**3,081**	**23,614**	**-**	**-**	**26,694**
77,835	13,892	3,586	95,314	Opening net book value	79,148	14,167	8,228	-	101,543
79,148	**14,167**	**8,228**	**101,543**	**Closing net book value**	**90,771**	**14,557**	**796**	**100**	**106,225**
				Revaluation movements above are reflected in the CIES as follows:					
			519	Charged / (credited) to the Net Cost of Services					9,710
			(4,092)	Charged / (credited) to Other Comprehensive Income and Expenditure					(11,481)
			(3,573)						**(1,771)**

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on land and buildings (£654k) and IT systems (£142k).

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 £416k. 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 2022 £000		Software licences and IT systems 31 March 2023 £000
	Purchased intangible assets	
	Historic cost or revaluation	
7,042	Balance at 1 April	7,661
237	Reclassifications	202
495	Additions	220
(114)	Derecognition - disposals	(27)
7,661	**Balance at 31 March**	**8,056**
	Amortisation	
4,601	Balance at 1 April	5,507
938	Amortisation for the year	514
-	Reclassifications	4
(33)	Derecognition - disposals	(27)
5,507	**Balance at 31 March**	**5,998**
2,441	Opening net book value	2,154
2,154	**Closing net book value**	**2,058**

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	Surplus assets £000	Total £000
Carried at historical cost	754	14,557	796	-	16,107
Valued at fair value during year ended:					
31 March 2023	80,711	-	-	100	80,811
31 March 2022	4,166	-	-	-	4,166
31 March 2021	1,861	-	-	-	1,861
31 March 2020	525	-	-	-	525
31 March 2019	1,771	-	-	-	1,771
31 March 2018	983			-	983
Balance at 31 March 2022	**90,771**	**14,557**	**796**	**100**	**106,225**

14. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2022/23 are set out below:

2021/22 £000		2022/23 £000
92,888	Opening capital financing requirement	96,107
	Capital investment:	
495	Intangible fixed assets	220
5,531	Operational assets	5,512
4,902	Non operational assets	5,460
	Sources of finance:	
(467)	Capital receipts	(270)
(265)	Government grants and other contributions	(201)
(4,742)	Direct revenue contributions	(3,310)
(2,236)	Revenue provision including MRP	(2,614)
96,107	**Closing capital financing requirement**	**100,904**
	Explanation of movements in year	
3,219	Increase / (decrease) in underlying need to borrow	4,796
3,219	**Increase / (decrease) in capital financing requirement**	**4,796**

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 2022/23 was £2,614k (2021/22 - £2,236k).

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 2022/23 was £1.541m (£1.503m in 2021/22). Payments remaining to be made under the PFI contract at 31 March 2023 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Revenue Services £000	Capital Payments £000	Interest £000	Total £000
Payable in 2023/24	1,580	773	2,614	4,968
Payable within two to five years	6,239	4,094	9,457	19,790
Payable within six to ten years	8,260	8,399	8,539	25,199
Payable within eleven to fifteen years	6,814	9,413	2,557	18,784
	22,894	**22,679**	**23,167**	**68,740**

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 2022/23 amounted to £1.104m (£1.489m in 2021/22). This figure includes a credit received from Cambridgeshire Police for £0.539m 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 2023 £000	31 March 2022 £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 2023 (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 2023/24	1,797	1,137	2,498	135	5,567
Payable within two to five years	10,614	3,373	9,204	(345)	22,847
Payable within six to ten years	13,421	7,066	9,510	(23)	29,974
Payable within eleven to fifteen years	13,654	11,127	6,200	758	31,739
Payable within sixteen to twenty years	10,887	8,068	1,223	(767)	19,411
	50,373	**30,771**	**28,636**	**(242)**	**109,538**

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 2023 £000	31 March 2022 £000
PFI - PICs		
Balance outstanding at the beginning of the year	31,848	32,609
Capital repayments during the year	(1,076)	(761)
Balance outstanding at year end	**30,771**	**31,848**
PFI - OCC		
Balance outstanding at the beginning of the year	23,373	23,994
Capital repayments during the year	(693)	(622)
Balance outstanding at year end	**22,679**	**23,373**
Total balance outstanding at year end	**53,451**	**55,220**
Made up as follows:		
Due in less than one year	1,910	1,770
Due in more than one year	51,540	53,451
	53,451	**55,220**

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

	31 March 2023 £000	31 March 2022 £000
Net book value at the beginning of the year	45,507	44,563
Additions	-	-
Revaluations during the year	8,803	3,022
Depreciation during the year	(2,563)	(2,079)
Net book value at the end of the year	**51,747**	**45,507**

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 2022/23 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 Pension Schemes		LGPS	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of services:						
Current service costs	20,744	21,600	39,970	48,070	453	405
Past service costs	184	-	-	-	-	-
Financing and investment income and expenditure:						
Net interest expense	3,490	3,313	50,700	37,580	68	62
Total post employment benefit charges to the surplus or deficit on the provision of service	**24,418**	**24,913**	**90,670**	**85,650**	**521**	**467**
Other post employment benefit charged to the CIES						
- Return on plan assets (excluding the amount included in the net interest expense)	11,562	(18,201)	-	-	174	(208)
- Actuarial gains / losses arising from changes in demographic assumptions	(2,290)	856	(33,820)	-	(36)	50
- Actuarial gains / losses arising from changes in financial assumptions	(180,898)	(33,199)	(645,140)	(25,300)	(3,180)	(577)
- Other	35,411	682	105,311	21,478	391	(65)
	(136,215)	(49,862)	(573,649)	(3,822)	(2,651)	(800)
Total post employment benefit charged to the CIES	**(111,797)**	**(24,949)**	**(482,979)**	**81,828**	**(2,130)**	**(333)**
Movement in Reserves Statement (MIRS):						
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**111,797**	**24,949**	**482,979**	**(81,828)**	**2,130**	**333**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	9,379	8,962	43,651	42,598	219	199
Memo						
Retirement benefits payable to pensioners	(6,091)	(5,869)	(53,071)	(51,378)	(58)	(31)

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	416,313	419,832	1,915,920	1,876,690	6,705	5,825
Current service cost	20,744	21,600	39,970	48,070	453	405
Interest cost	11,683	8,789	50,700	37,580	191	124
Contributions by scheme participants	2,925	2,725	9,420	8,780	77	66
Remeasurement (gains) and losses:						
- Actuarial gains/losses arising from changes in financial assumptions	(180,898)	(33,199)	(645,140)	(25,300)	(3,180)	(577)
- Actuarial gains/losses arising from changes in demographic assumptions	(2,290)	856	(33,820)	-	(36)	50
- Other	23,923	1,579	105,311	21,478	380	843
Past service costs	184	-	-	-	-	-
Benefits paid	(6,091)	(5,869)	(53,071)	(51,378)	(58)	(31)
Effects of settlements	-	-	-	-	-	-
Closing balance at 31 March	**286,493**	**416,313**	**1,389,290**	**1,915,920**	**4,532**	**6,705**

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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets at 1 April	294,958	264,566	-	-	4,352	2,940
Interest income	8,193	5,476	-	-	123	62
Remeasurement gain / (loss):						
- the return on plan assets, excluding the amount included in the net interest expense	(11,562)	18,201	-	-	(174)	208
- other	153	897	-	-	(11)	908
Contributions from employer	9,379	8,962	43,651	42,598	219	199
Contributions from employees into the scheme	2,925	2,725	9,420	8,780	77	66
Benefits paid	(6,091)	(5,869)	(53,071)	(51,378)	(58)	(31)
Effects of settlements	-	-	-	-	-	-
Closing fair value of scheme assets at 31 March	**297,955**	**294,958**	**-**	**-**	**4,528**	**4,352**

The total net pensions liabilities of £1,389m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,360m. 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. Due to the effects of the March 2022 triennial revaluation of the LGPS, there has been a swing from the pension fund being in a net liability position to now being in a net asset position which has resulted in an asset ceiling adjustment being made. IFRIC 14 states where there is a pension net asset an asset ceiling may be applied to the surplus on the pension fund. This limits the surplus recognised to the present value of any economic benefits available in the form of either refunds from the plan or reductions in future contributions. As the employer has no unconditional right to a refund from the Fund, there is no economic benefit available as a refund therefore the PCC has made a judgement to limit the surplus recognised in the accounts to the present value of reductions in future contributions. This adjustment is shown in the asset and liabilities table above as other movements on the asset. The other experience on obligations includes an allowance for the pension increase order applied to the funded obligation at April 2023 being different to the pension increase assumption adopted in the Employer's Schedule of results at the start of the period. Within this other experience item, the funded obligations have increased by £23.9m for the Group and £0.3m for the PCC.

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

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

Group Fair Value of Scheme Assets 31 March 2023 £000	**%**	**31 March 2022 £000**	**%**		**PCC Fair Value of Scheme Assets 31 March 2023 £000**	**%**	**31 March 2022 £000**	**%**
4,975	**1.67**	**4,177**	**1.42**	Cash and cash equivalents	**76**	**1.67**	**62**	**1.42**
				Bonds - by sector				
2,561		2,978		- Government	39		44	
2,561	**0.86**	**2,978**	**1.01**	Sub total bonds	**39**	**0.86**	**44**	**1.01**
				Property - by type				
25,785		26,939		- UK property	392		398	
4,429		4,152		- Overseas property	67		61	
30,214	**10.14**	**31,091**	**10.54**	Sub total property	**459**	**10.14**	**459**	**10.54**
28,467	**9.55**	**23,800**	**8.07**	Private equity - all:	**433**	**9.55**	**351**	**8.07**
				Other investment funds:				
141,699		124,082		- Equities	2,153		1,831	
57,473		85,202		- Bonds	873		1,257	
33,470		23,565		- Infrastructure	509		348	
0		0		- Other	0		0	
232,642	**78.08**	**232,848**	**78.94**	Sub total other investment funds	**3,535**	**78.08**	**3,436**	**78.94**
				Derivatives:				
(904)		65		- Foreign exchange	(14)		1	
(904)	**(0.3)**	**65**	**0.02**	Sub total derivatives	**(14)**	**(0.3)**	**1**	**0.02**
297,955	**100**	**294,958**	**100**	**Total Assets**	**4,528**	**100**	**4,352**	**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's Department and the LGPS 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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Mortality assumptions:						
Longevity at 65 for current pensioners						
Men	21.2	21.9	21.9	22.1	21.1	21.9
Women	24.3	24.6	23.5	23.8	24.9	24.6
Longevity at 65 for future pensioners						
Men	22.7	22.9	23.5	23.8	23.4	22.9
Women	26.1	26.2	25.0	25.4	26.0	26.2
Rate of inflation (CPI)	2.95%	3.15%	2.60%	3.00%	2.95%	3.15%
Rate of increases in salaries	3.65%	3.85%	3.85%	4.75%	3.65%	3.85%
Rate of increase in pensions	2.95%	3.15%	2.60%	3.00%	2.95%	3.15%
Rate for discounting scheme liabilities	4.75%	2.75%	4.65%	2.65%	4.75%	2.75%
Rate of CARE revaluation	n/a	n/a	3.85%	4.25%	n/a	n/a

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £ million	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% (PPS), 0.1% (LGPS) decrease in real discount rate	2.5%	6,125	8.0%	108	3.0%	98
1 year increase in member life expectancy	4.0%	11,430	2.5%	34	4.0%	152
0.5% (PPS), 0.1% (LGPS) increase in the salary increase rate	0.0%	764	1.0%	14	0.0%	12
0.5% (PPS), 0.1% (LGPS) increase in the pension increase rate	2.0%	5,449	7.5%	107	2.0%	88

Unlawful discrimination

On 16 July 2020 HM Treasury published their *Public service pension schemes consultation: changes to the transitional arrangements to the 2015 Schemes*, which contained the proposed remedy regarding the McCloud/Sargeant remedy.

On 4 Feb 2021 HM Treasury published their response to the consultation. This response confirmed: that the legacy schemes would be closed from 31 March 2022; a remedy would be introduced for the period 2015-2022 based on a deferred choice underpin basis; and, eligibility criteria for members to access the remedy.

On 19 July 2021 the Public Service Pensions and Judicial Offices Act 2022 was taken to the House of Lords. This received royal assent on 10 March 2022 and the Act came into force from 1 April 2022. HMT directions to accompany the act were published on 14th December 2022.

The Act closed the legacy schemes from 31 March 2022 and brings the retrospective remedy into force by 1 October 2023.

It is now for the Home Office to consult on the secondary regulations to bring the policy determined by the act into force from 1 October 2023, this consultation opened on 28 February and closes on 23 May 2023.

Claimants have lodged claims for compensation under two active sets of litigation, Aarons & Ors and Penningtons.

Aarons & Ors

The Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is bought into force from 1 October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent.

Therefore, no liability in respect of compensation claims is recognised in these accounts.

Penningtons

As at 31 March 2023, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

Remedy

The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members.

The main elements of the Act are:

• Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases:

• Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the “remedy period” of April 2015 to 31 March 2022.

• From 1 April 2022, when the remedy period ended, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.

• Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period has led to an increase in the Police Pension Scheme liabilities.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgement is measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year, the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

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 2022 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 21.2% (18% plus £1.320m 2021/22).

Estimated employer's contributions for 2023/24 amount to £9.367m on the LGPS and £41.5m on the Police schemes.

The weighted average duration of the defined benefit obligation for the LGPS is Group 21.0 years and PCC 23.0 years, 2022/23 (Group 25.0 years, PCC 27.0 years, 2021/22) and for the Police schemes is 17.0 years, 2022/23 (21.0 years, 2021/22).

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 2023 temporary lending comprised:

	31 March 2023 £000	31 March 2022 £000
Money market and temporary cash deposits		
Banks	2,000	2,001
Total temporary lending	**2,000**	**2,001**
Represented by:		
Short term investments	2,000	2,001

18. Debtors, Prepayments and Deferred Costs

	31 March 2023 £000	31 March 2022 £000
Short term debtors:		
Trade receivables	1,411	522
Prepayments & deferred costs	8,700	5,096
Accrued income	9,471	6,329
Debtors relating to local taxation	3,555	3,262
Other receivable amounts	4,119	6,436
Balance at 31 March	**27,256**	**21,645**

19. Cash and Cash Equivalents

	31 March 2023 £000	31 March 2022 £000
Imprest accounts	68	68
Bank current accounts	(459)	1,839
Instant access deposits with banks	1,566	7,510
Deposit with a maturity date less than 3 months from acquisition	-	4,000
Balance at 31 March	**1,175**	**13,416**

20. Assets Held for Sale

	Current		Non-current	
	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Balance at 1 April	492	321	-	-
Assets newly classified as held for sale:				
Property, plant and equipment	-	270	-	-
Assets sold	-	(99)	-	-
Balance at 31 March	**492**	**492**	**-**	**-**

21. Creditors

	Group		PCC	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
Short term creditors:				
Trade payables	4,660	2,634	4,660	2,634
Accruals and receipts in advance	10,995	10,617	9,537	9,041
Creditors relating to local taxation	2,658	2,686	2,658	2,686
Other payables	5,348	5,610	5,348	5,610
Balance at 31 March	**23,661**	**21,546**	**22,202**	**19,971**

22. Reconciliation of Revenue Cash Flow

Group 2021/22		PCC 2021/22			Group 2022/23		PCC 2022/23	
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustment for non cash or cash equivalent items within deficit on provision of services:				
8,567		8,567		Depreciation and impairments		17,691		17,691
(126)		(126)		Profit and loss on disposal of fixed assets		126		126
59,003		268		Movements on pension liability		62,058		302
67,444		8,709				79,874		18,119
	1,469		1,486	Increase / (decrease) in revenue creditors	2,408		2,525	
	(7,474)		(7,474)	Decrease / (increase) in revenue debtors	(5,610)		(5,610)	
	(89)		(89)	Decrease / (increase) in stocks	(115)		(115)	
	353		353	Increase / (decrease) in revenue provisions	(11)		(11)	
(5,741)		(5,725)				(3,327)		(3,210)
61,704		**2,984**				**76,547**		**14,909**
				The total cash flows for operating activities include:				
6,690		6,690		Interest paid and similar charges		6,946		6,946
(55)		(55)		Interest received		(509)		(509)

23. Reconciliation of Liabilities Arising from Financing Activities

	1 April 2022	Financing cash flows	Non-cash Changes Acquisition	Other Non-cash changes	31 March 2023
	£000	£000	£000		£000
Long term borrowings	31,732	(1,617)	-	339	30,453
Short term borrowings	1,761	-	-	(359)	1,402
On balance sheet PFI liabilities	55,220	(1,770)	-	-	53,451
Total liabilities from financing activities	**88,713**	**(3,387)**	**-**	**(20)**	**85,306**

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 (UU) claim which covers a three 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 Unit (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 UU 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.

Data Breach

During 2022/23 the Constabulary became aware of a significant data breach. It is not currently possible to estimate the number of claims the Constabulary will receive arising from the breach or the total cost exposure associated with it. However, with the exception of the self-insured retention, it is expected that liability claims made against the Constabulary will be covered by the Constabulary's Liability Insurance Policy. Breach response costs will largely be covered by the Constabulary's Cyber Policy.

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 2023 relates to £19k for Employment Tribunals and £5k 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 2023 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 2022 £000	**Charge in year £000**	**Paid / Reversed in year £000**	**Balance 31 March 2023 £000**
Insurance claims	954	1,163	(636)	1,481
Employment tribunals and judicial reviews	117	(69)	(24)	24
Other revenue provisions	105	(75)	-	29
Exit packages	440	117	(486)	71
Total	**1,616**	**1,135**	**(1,146)**	**1,605**

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 2023 £000	31 March 2022 £000
Not later than one year	233	425
Later than one year but not later than five years	75	136
Later than five years	31	24
	339	**585**

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

	31 March 2023 £000	31 March 2022 £000
Minimum lease payments	623	628
Contingent rents	25	32
	648	**659**

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 2023 £000	31 March 2022 £000
Not later than one year	94	64
Later than one year but not later than five years	100	94
Later than five years	18	25
	211	**183**

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

	31 March 2023 £000	31 March 2022 £000
Minimum lease payments	144	133
Contingent rents	10	7
	154	**141**

Finance Lease as Lessee

In 2007/08, the PCC entered into a lease for Poringland Police Station. This is a shared site with Poringland Parish Council which has a community centre and police station. The Police Authority paid for the construction of the police station and a one-off sum towards the use of the land for the 99 year term of the lease. This is treated as a finance lease, however the lease charge is a peppercorn. This property has been capitalised as a de facto asset. The net book value of the asset is £115k (£118k 2021/22).

27. Earmarked Balances within the General Fund

The movements in general fund and earmarked balances in 2022/23 are analysed as follows:

	Note	Balance 1 April 2022 £000	Received £000	Applied £000	Reallocated £000	Balance 31 March 2023 £000
Revenue reserves:						
Regional Partnership	**(a)**	105	16	(12)	-	109
Budget Support	**(b)**	3,497	99	(450)	(265)	2,881
Invest to Save	**(c)**	1,950	-	(195)	-	1,755
Capital Financing & Efficiency	**(d)**	7,952	-	(500)	-	7,452
Insurance	**(e)**	856	-	-	-	856
PCC	**(f)**	1,796	343	(86)	(198)	1,854
Safety Camera	**(g)**	1,103	704	(591)	-	1,216
Community Safety Reserve	**(h)**	500	-	(83)	-	417
Transformation Reserve	**(i)**	125	-	(1)	198	322
Total		**17,883**	**1,162**	**(1,918)**	**(265)**	**16,862**
General Reserve		**4,575**	**-**	**-**	**265**	**4,840**

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 2022/23, £4k contribution to this reserve was made as a result of the net underspend 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 maintained to enable sufficient funding 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) Transformation 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 2023	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 2022	**(2,037,275)**	**28,912**	**(20,831)**	**577**	**(1,575)**	**(2,030,192)**
Other comprehensive income and expenditure	709,864	11,481	-	-	-	**721,345**
Total comprehensive income and expenditure	**709,864**	**11,481**	**-**	**-**	**-**	**721,345**
Amortisation of intangible assets	-	-	(518)	-	-	**(518)**
Depreciation on property, plant and equipment	-	(1,838)	(5,625)	-	-	**(7,463)**
Revaluation losses on property, plant and equipment	-	-	(9,710)	-	-	**(9,710)**
Application of capital grants from unapplied account	-	-	201	-	-	**201**
Net gain or loss on the sale of non-current assets	-	(169)	(227)	-	-	**(396)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(82,364)	-	-	-	-	**(82,364)**
Movement on the Collection Fund Adjustment Account	-	-	-	321	-	**321**
Capital expenditure charged to the General Fund Balance	-	-	3,310	-	-	**3,310**
Statutory provision for the repayment of debt	-	-	2,614	-	-	**2,614**
Contribution to the Police Pension Fund	20,307	-	-	-	-	**20,307**
Movement on the Compensated Absences Account	-	-	-	-	117	**117**
Use of capital receipts to fund asset purchases	-	-	270	-	-	**270**
Adjustments between accounting basis and funding basis under regulations	**(62,058)**	**(2,007)**	**(9,684)**	**321**	**117**	**(73,311)**
Increase / (decrease) in year	**647,806**	**9,474**	**(9,684)**	**321**	**117**	**648,034**
Balance at 31 March 2023	**(1,389,469)**	**38,386**	**(30,515)**	**898**	**(1,459)**	**(1,382,159)**

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	53,684	4,092	-	-	-	**57,776**
Total comprehensive income and expenditure	**53,684**	**4,092**	**-**	**-**	**-**	**57,776**
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	-	-	-	1,273	-	**1,273**
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**	**1,273**	**16**	**(58,913)**
Increase / (decrease) in year	**(5,319)**	**2,722**	**171**	**1,273**	**16**	**(1,137)**
Balance at 31 March 2022	**(2,037,275)**	**28,912**	**(20,831)**	**577**	**(1,575)**	**(2,030,193)**

PCC:

Year Ended 31 March 2023	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2022	**(2,353)**	**28,913**	**(20,831)**	**577**	**6,304**
Other comprehensive income and expenditure	2,651	11,481	-	-	**14,132**
Total comprehensive income and expenditure	**2,651**	**11,481**	**-**	**-**	**14,132**
Amortisation of intangible assets	-	-	(518)	-	**(518)**
Depreciation on property, plant and equipment	-	(1,838)	(5,625)	-	**(7,463)**
Revaluation losses on property, plant and equipment	-	-	(9,710)	-	**(9,710)**
Application of capital grants from unapplied account	-	-	201	-	**201**
Net gain or loss on the sale of non-current assets	-	(169)	(227)	-	**(396)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(302)	-	-	-	**(302)**
Movement on the Collection Fund Adjustment Account	-	-	-	321	**321**
Capital expenditure charged to the General Fund Balance	-	-	3,310	-	**3,310**
Statutory provision for the repayment of debt	-	-	2,614	-	**2,614**
Use of capital receipts to fund asset purchases	-	-	270	-	**270**
Adjustments between accounting basis and funding basis under regulations	**(302)**	**(2,007)**	**(9,684)**	**321**	**(11,672)**
Increase / (decrease) in year	**2,349**	**9,474**	**(9,684)**	**321**	**2,459**
Balance at 31 March 2023	**(5)**	**38,387**	**(30,515)**	**898**	**8,764**

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	800	4,092	-	-	**4,892**
Total comprehensive income and expenditure	**800**	**4,092**	**-**	**-**	**4,892**
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	-	-	-	1,273	**1,273**
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**	**1,273**	**(193)**
Increase / (decrease) in year	**532**	**2,722**	**171**	**1,273**	**4,698**
Balance at 31 March 2022	**(2,354)**	**28,913**	**(20,831)**	**577**	**6,304**

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets										
Amortised cost	2,000	2,001	12,130	20,344	-	-	-	-	14,130	22,345
Total Financial Assets	**2,000**	**2,001**	**12,130**	**20,344**	**-**	**-**	**-**	**-**	**14,130**	**22,345**
Non Financial Assets	-	-	17,582	15,883	-	-	-	-	17,582	15,883
Total Assets	**2,000**	**2,001**	**29,711**	**36,227**	**-**	**-**	**-**	**-**	**31,711**	**38,228**

	Current				Long term				Total	
	Borrowings		Other liabilities		Borrowings		Other liabilities			
	31 March		31 March		31 March		31 March		31 March	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities										
Amortised cost	1,402	1,761	13,108	11,507	30,453	31,732	1,389,472	2,037,287	1,434,435	2,082,286
Total Financial Liabilities	**1,402**	**1,761**	**13,108**	**11,507**	**30,453**	**31,732**	**1,389,472**	**2,037,287**	**1,434,435**	**2,082,286**
Non Financial Liabilities	-	-	14,128	13,489	-	-	51,540	53,451	65,668	66,939
Total Liabilities	**1,402**	**1,761**	**27,236**	**24,996**	**30,453**	**31,732**	**1,441,012**	**2,090,737**	**1,500,103**	**2,149,225**

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:

2021/22 Surplus or Deficit on the Provision of Services £000		2022/23 Surplus or Deficit on the Provision of Services £000
	Net (gains)/losses on:	
2	Financial assets measured at amortised cost	-
2	**Total net (gains)/losses**	**-**
	Interest revenue:	
(45)	Financial assets measured at amortised cost	(454)
(45)	**Total interest revenue**	**(454)**
6,723	**Interest expense**	**6,926**
	Fee expense:	
4	Financial assets or financial liabilities that are not at fair value through profit or loss	-
4	**Total fee expense**	**-**

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 2023 Carrying amount £000	Fair value £000	31 March 2022 Carrying amount £000	Fair value £000
Financial liabilities				
PWLB loan	31,855	30,689	33,492	40,680
	31,855	**30,689**	**33,492**	**40,680**

The fair value of borrowings in 2022/23 is lower than the carrying amount because the annuity loans are lower than the repayment rate, meaning that there are significant repayment discounts on these.

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[2]. 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 2022/23, the PCC has a policy not to lend 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 34.

Recent experience has shown that it is rare for its investment counterparties to be unable to meet their commitments, therefore although a risk of non-recoverability applies to all of the PCC's deposits, there was no evidence at the 31 March 2023 that this was likely to crystallise.

[2] Annual Investment and Treasury Management Strategy

Of the £1,411k outstanding from customers £97k was past its due date for payment at the year-end. The past due amount can be analysed by age as follows:

	Amount past due 2023 £000	Amount past due 2022 £000
Less than three months	39	116
Three to six months	1	-
Six months to one year	4	2
More than one year	53	4
	97	**122**

Liquidity risk

The PCC has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the PCC has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB). As the PCC is required to provide a balanced budget which ensures sufficient monies are raised to cover annual expenditure, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The PCC has 22 loans with the PWLB, 19 are repayable on maturity, 3 are being repaid in half yearly instalments. The loans are due to mature between 1 and 35 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 rate 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 £2,878k.

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 ………..…….. 2024. 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 2023 are analysed as follows:

2022 £000		2023 £000
1,055	Vehicles	1,254
714	ICT replacements & equipment refresh	219
113	Norfolk Professional Development Centre	202
116	Tasers, other firearms & equipment	134
-	ESN	126
-	ANPR cameras	59
124	Digital Strategy (incl mobile data)	57
55	Other	48
40	ICT software upgrades	41
93	eRecruitment system	31
15	Estates strategy	28
4,995	Broadland Gate Hub	18
126	ESN ICCS upgrade	-
7,447	**Total committed**	**2,217**

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 £0.265m to £4.840m, has a Budget Support Reserve of £2.881m and has an Invest to Save Reserve of £1.755m that in extremis would be used to manage the financial risks of major incidents. Despite high levels of inflationary pressures across a number of services, the Group recorded an outturn overspend of £0.241m (0.12% of Net Revenue Budget).

A high-level scenario planning exercise has been completed and compared against our current MTFP assumptions. The budget gap for 2024/25 ranges between reasonable pragmatic case (£1.329m) to worst case (£6.399m) 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 2024 would reduce to approximately £12.508m. This still remains well above our minimum level of general fund balance as set by the PCC CFO of £4.840m.

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

2021/22			2022/23	
£000	£000		£000	£000
		Contributions receivable		
		Employer		
	20,034	Normal	21,144	
	247	Early retirements	343	
20,281				21,487
		Members		
	8,655	Normal	9,126	
8,655				9,126
		Transfers in		
	235	Individual transfers in from other schemes	457	
235				457
		Benefits payable		
	(40,630)	Pensions	(42,629)	
	(8,758)	Commutations and lump sum retirement benefits	(7,940)	
	-	Lump sum death benefits	(125)	
	(262)	Other	(490)	
(49,650)				(51,184)
		Payments to and on account of leavers		
	(57)	Refunds on contributions	(100)	
	(37)	Individual transfers out to other schemes	(93)	
(95)				(193)
(20,574)		**Net amount payable for the year before contribution from the Police General Fund**		**(20,307)**
20,574		**Contribution from the Police General Fund**		**20,307**
-		**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 2023 (31 March 2022 £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 2022/23 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 £6.6m in 2022/23 (2021/22 - £6.2m).

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 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.

THE CHIEF CONSTABLE OF NORFOLK CONSTABULARY

STATEMENT OF ACCOUNTS

31 March 2023

Statement of Accounts

for the year ended 31 March 2023

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INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORFOLK

Please refer to signed audit certificate provided separately

Statement of Responsibilities for the Statement of Accounts

The Chief Constable of Norfolk Constabulary's Responsibilities

The Chief Constable must:

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

Approval of Statement of Accounts

I approve the following Statement of Accounts:

Paul Sanford ………………2024

Chief Constable of Norfolk Constabulary

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

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

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

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

The CFO of the Chief Constable has also:

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

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

I certify that this statement of accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Chief Constable of Norfolk Constabulary at 31 March 2023, and its income and expenditure for the year to that date.

Peter Jasper ACMA, Assistant Chief Officer ………………2024

Narrative Report

Introduction

This Narrative Report provides information about Norfolk Constabulary, including the key issues affecting its accounts. It also provides a summary of the financial position at 31 March 2023 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 Financial Statements
4. The 2022/23 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Funding Settlement 2023/24 and beyond

1. The policing context for Norfolk

Information about the Office of the Chief Constable of Norfolk

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

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

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

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

The County of Norfolk

Norfolk is the fifth largest county in England with a land area of 2,074 square miles with approximately 100 miles of coastline. 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 2023 is estimated as 936,102 (source: Norfolk Observatory) and Norfolk has an older age profile than England as a whole. Approximately 25% of the population in Norfolk are aged 65 and older compared with 19% in England (2023 estimate) and by 2043 it is expected that those aged over 65 will account for almost one third (30%).

Norfolk is a popular tourist destination, and prior to the pandemic had experienced record high visitor rates. In 2021, the county received 2.3m overnight visitors and

29.6m day trips were made, increasing from 2020 which had 1.4m overnight trips and 21.7m day trips. Norfolk's visitor economy in 2021 (total tourism value) was calculated at £2.3bn, an increase from £1.5bn in 2020, and the number of jobs in the county's tourism trade had increased to over 50,700 (from 43,400 in 2020)[1] .

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.

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. Coastal erosion presents a risk in some areas and has already caused property losses. 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. These factors pose challenges, again impacting on the policing of the county.

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).

[1] Economic-Impact-of-Tourism-Norfolk-Report-2021.pdf (visiteastofengland.com)

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 the Eastern Region Innovation Network (ERIN) 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 PCC and OPCC are preparing for the potential legislation that may 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.

2. Impact of the governance arrangements on the Financial Statements of the PCC and Chief Constable

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

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

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

Therefore, the Chief Constable fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the PCC. The Chief Constable ultimately has a statutory responsibility for maintaining the King'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 2022/23 Statement of Accounts for the Chief Constable are set out on the following pages. The purpose of individual primary statements is explained below:

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

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

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

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

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

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

4. The 2022/23 revenue and capital budget process

A joint financial planning process took place between June 2021 and January 2022 in accordance with an agreed timetable. An enhanced Service and Financial Planning process took place using Outcome Based Budgeting (OBB) principles.

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

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

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

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

The PCC launched the consultation for the 2022/23 police budget which ran for 5 weeks. The consultation took the form of an online and hard copy survey and an intensive programme of media, communications and engagement activity.

The results were collated towards the end of January 2022 and presented by the PCC to the Police and Crime Panel at its meeting on 1 February 2022.

These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2022/23 to 2025/26 and was signed off in February 2022.

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

5. Financial performance

Savings plans

The Chief Constable has run a well-established and effective change programme over recent years. The programme is required to deal with the impact of funding settlements, spending challenges from inflation, increasing demand, the changing nature of crime, increasing legislative and regulatory cost pressures and ongoing investment in modernising the Constabulary through improved digital infrastructure and technology.

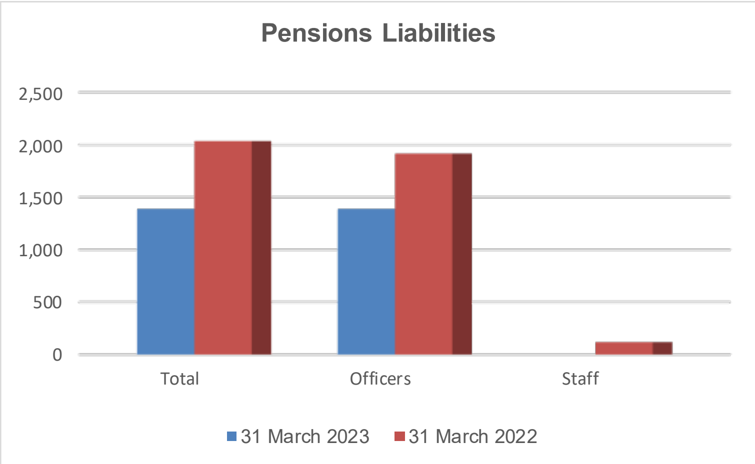
Savings plans of £2.3m were identified for 2022/23, and those savings have been achieved. The PCC and Chief Constable are jointly committed to providing the best possible policing service across Norfolk whilst at the same time increasing efficiency and reducing costs.

There is more information about the impact of the Home Office settlement for 2023/24 and what this means for the Constabulary over the medium-term in the Looking Forward section below.

Long Term Liabilities

Pension Liabilities

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



These liabilities result in the Balance Sheet showing net overall liabilities of £1,391m at 31 March 2023, however, the financial position of the Chief Constable remains sound as these liabilities will be spread over many years.

The value of the LGPS pension fund assets is calculated by the actuary as part of the formal triennial valuation process, and rolled forward to the balance sheet date, allowing for any movements in the year. These movements include investment returns, which may be estimated where necessary.

Reserves

The Chief Constable does not hold any usable reserves.

Annual Governance Statement

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

6. Non-financial performance

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 2023 there were 67,154 recorded crimes, an increase of 1.0% compared to the long-term average (66,469). 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), ERIN 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 2022/23 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.

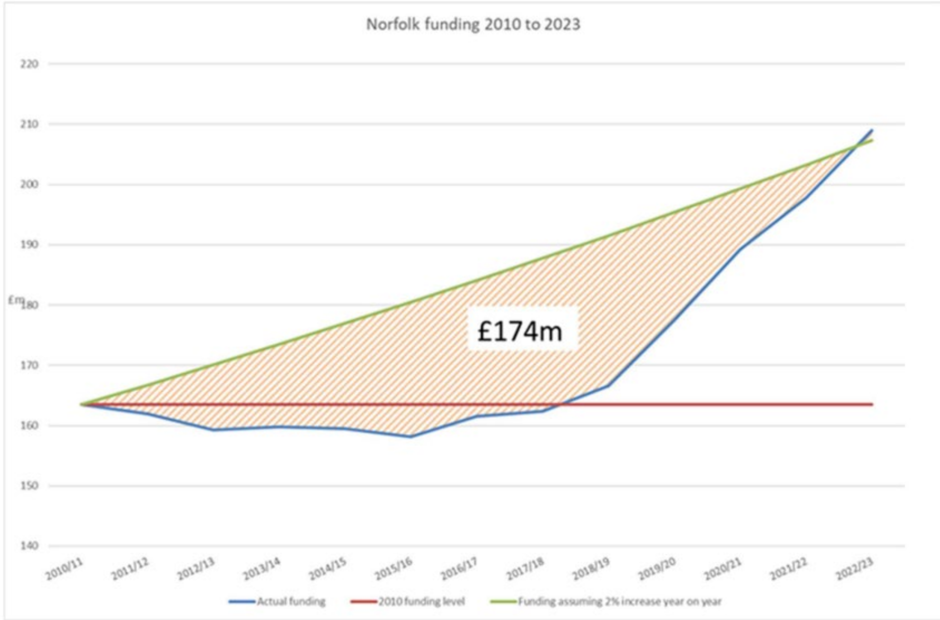
Area	**Indicator**	**2021/22**	**2022/23**
Domestic Abuse	*Number of crimes*	14,060	13,027
	Solved rate	9%	11%
Serious Sexual Offences	*Number of crimes*	2,614	2,643
	Solved rate	7%	8%
Child Sexual Abuse	*Number of crimes*	1,508	1,526
	Solved rate	14%	15%
Hate Crime	*Number of crimes*	1,426	1,303
	Solved rate	11%	16%
Online Crime	*Number of crimes*	2,976	2,879
	Solved rate	9%	10%
Neighbourhood Crime	*Number of crimes*	9,461	9,747
	Solved rate	10%	11%
Violence With Injury	*Number of crimes*	8,250	8,640
	Solved rate	14%	15%
Call Handling	*% 999 calls answered in 10 seconds*	89%	85%
Emergency Response	*% of emergencies responded to in target time*	88%	86%
Road Safety	*Number of KSI collisions*	385	393

Demands on the Constabulary have changed in nature in recent years. Serious sexual offences, violence with injury, and neighbourhood crime have increased, while crimes such as domestic abuse and child sexual abuse have decreased. In 2020/21, the onset of the Covid-19 pandemic impacted the demand recorded in some vulnerability crime types. Crime categories that have seen a reduction in volume are accompanied by increased solved rates, reflecting 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 declined which is likely to be linked with increasing 999 demand between 2020/21 and 2022/23.

7. Funding Settlement 2023/24 and beyond

Public sector funding has been constrained since 2010 and that has been no different for the police service. In the graph below, the blue line 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 green 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 c£174m of inflation over that time. When you add the impact of other statutory and legislative changes that have increased costs to the organisation (e.g. increases to National Insurance, Pensions 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 pressure on annual budgets has been even more significant.



It should be noted, that within this context, Norfolk Constabulary has once again been judged as **Outstanding** for Good Use of Resources by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). This assesses how efficiently the force uses the finite funds it receives, and how well the force understands the demands placed upon it both now and in the future. 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 2023 the Constabulary has made savings of over £42m from their annual budgets.

Globally, economies around the world had suffered as a result of the Covid-19 pandemic and coupled with the exit from the European Union there has been increased disruption to supply chains and increases in costs. This has been compounded since March 2022 with the conflict in Ukraine that has resulted in surging energy prices and unprecedented increases in inflation. As a consequence, in order to get inflation under control, the Bank of England has increased interest rates to their highest levels since 2008, and this has increased the cost of borrowing and as we enter 2023/24 this volatility looks set to remain for some months to come.

In the Spending Review 2021 (SR21), inflation was forecast to be 4%, 2.6%, 2.1% and 2% respectively for each year from 2022/23 onwards. In October 2022 the rate of inflation was running at 11.1%, significantly higher than the 4% forecast. As a number of the Constabulary's contracts were at fixed rates, and not subject to inflationary increases from the start of the year, coupled with longer lead in times for some high-cost items (e.g. vehicles and ICT kit and equipment), the Constabulary has broadly been able to manage within its overall budget envelope in 2022/23 outturning with a small overspend.

There are significant pressures going into 2023/24, with inflation running at much higher levels than anticipated ahead of the conflict in Ukraine, there has been increased pressure on pay settlements. The outcome of the police officer and police staff pay awards was a 5% increase overall with a gross cost pressure of £5m in 2022/23. Set against inflation of over 11% it is expected that higher than previously planned for pay settlements will arise in 2023/24 and the budget report assumes a 3.0% increase, with a cost pressure of £11.6m (being the full-year impact of the 2022/23 award rolling into 2023/24 as well as the forecast 2023/24 award from 1st September 2023). This is set against an increase in government funding of £1.9m (1.75%).

	2022/23	2023/24	Variance	
	£000	£000	£000	%
Police Core Grant	96,298	96,632	334	0.34%
Ringfenced Grant (Uplift)	1,510	3,076	1,566	103.71%
Legacy Council Tax Grants	9,305	9,305	0	0%
Pensions Grant	1,565	1,565	0	0%
Total all Grants	**108,678**	**110,578**	**1,900**	**1.75%**

Increasing and maintaining police officer numbers to meet government Police Uplift Programme (PUP) targets through to at least 2024/25 means that savings requirements will have to be met from a significantly smaller proportion of our budget that excludes officer pay. The government funding for PUP for 2023/24 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 means that officer numbers cannot be frozen or cut during this period as £3.076m of funding (shown in the above table) is linked to achieving the Uplift targets.

As part of the police settlement PCCs were given the flexibility to increase the precept by up to £15 per annum (22 pence per week at Band B/ 29 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 balance the budget and help maintain current levels of service in the face of high levels of inflation.

However, the detailed settlement for forces only outlined detail for 2023/24. This leaves some uncertainty on the financial detail going forward and there will be a general election no later than January 2025.

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 has now commenced 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 2023/24 to 2026/27 and these can be found at the link 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. The PCC and Constabulary are well equipped to meet these challenges as reflected in the **Outstanding** rating for Good Use of Resources by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

Peter Jasper ACMA

Assistant Chief Officer

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

for the year ended 31 March 2023

Gross Expenditure 2021/22 £000	Income 2021/22 £000	Net Expenditure 2021/22 £000		Note	Gross Expenditure 2022/23 £000	Income 2022/23 £000	Net Expenditure 2022/23 £000
			Division of service:				
234,982	(23,842)	211,140	Constabulary		242,237	(28,225)	214,011
234,982	**(23,842)**	**211,140**	**Net cost of police services before group funding**		**242,237**	**(28,225)**	**214,011**
	(193,251)	**(193,251)**	**Intra-group funding**	**4**		**(206,493)**	**(206,493)**
234,982	**(217,094)**	**17,889**	**Net cost of police services**		**242,237**	**(234,719)**	**7,518**
			Other operating expenditure:				
			Financing and investment income and expenditure:				
40,831	-	40,831	Pensions interest cost	**13**	54,122	-	54,122
40,831	**-**	**40,831**			**54,122**	**-**	**54,122**
		58,720	**Deficit / (surplus) on the provision of services**				**61,640**
			Other comprehensive income and expenditure:				
		(52,884)	Remeasurements of the net defined benefit liability	**13**			(707,213)
		(52,884)					**(707,213)**
		5,836	**Total comprehensive income and expenditure**				**(645,573)**

Balance Sheet for the Chief Constable of Norfolk Constabulary as at 31 March 2023

31 March 2022 £000		Notes	31 March 2023 £000
-	**TOTAL ASSETS**		**-**
1,575	Short-term creditors and accruals	**14**	1,459
1,575	**Current liabilities**		1,459
2,034,922	Pension liability	**13**	1,389,464
2,034,922	**Long term liabilities**		1,389,464
2,036,497	**TOTAL LIABILITIES**		**1,390,923**
(2,036,497)	**NET LIABILITIES**		**(1,390,923)**
(2,036,497)	Unusable reserves	**Page 12**	(1,390,923)
(2,036,497)	**TOTAL RESERVES**		**(1,390,923)**

These audited accounts replace those issued on

29th December 2023.

Peter Jasper ACMA

Assistant Chief Officer

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Movement in Reserves Statement for the Chief Constable of Norfolk Constabulary

Year Ended 31 March 2023	Note	General Fund Balance £000	**Total Usable Reserves £000**	Pension Reserves £000	Comp' Absences Account £000	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2022		**-**	**-**	**(2,034,922)**	**(1,575)**	**(2,036,497)**	**(2,036,497)**
Movement in reserves during 2022/23							
Surplus or (deficit) on provision of services (accounting basis)	**Page 10**	(61,640)	**(61,640)**	-	-	**-**	**(61,640)**
Other comprehensive income and expenditure	**Page 10**	-	**-**	707,213	-	**707,213**	**707,213**
Total comprehensive income and expenditure		**(61,640)**	**(61,640)**	**707,213**	**-**	**707,213**	**645,573**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		82,062	**82,062**	(82,062)	-	**(82,062)**	**-**
Contribution to the Police Pension Fund		(20,307)	**(20,307)**	20,307	-	**20,307**	**-**
Movement on the Compensated Absences Account		(117)	**(117)**	-	117	**117**	**-**
Adjustments between accounting basis and funding basis under regulations		**61,639**	**61,639**	**(61,755)**	**117**	**(61,639)**	**-**
Net movement in reserves		**-**	**-**	**645,458**	**117**	**645,575**	**645,575**
Balance at 31 March 2023		**-**	**-**	**(1,389,464)**	**(1,459)**	**(1,390,923)**	**(1,390,923)**

Year Ended 31 March 2022	Note	General Fund Balance £000	**Total Usable Reserves £000**	Pension Reserves £000	Comp' Absences Account £000	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2021		**-**	**-**	**(2,029,070)**	**(1,592)**	**(2,030,662)**	**(2,030,662)**
Movement in reserves during 2021/22							
Surplus or (deficit) on provision of services (accounting basis)	**Page 10**	(58,720)	**(58,720)**	-	-	**-**	**(58,720)**
Other comprehensive income and expenditure	**Page 10**	-	**-**	52,884	-	**52,884**	**52,884**
Total comprehensive income and expenditure		**(58,720)**	**(58,720)**	**52,884**	**-**	**52,884**	**(5,836)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		79,309	**79,309**	(79,309)	-	**(79,309)**	**-**
Contribution to the Police Pension Fund		(20,574)	**(20,574)**	20,574	-	**20,574**	**-**
Movement on the Compensated Absences Account		(16)	**(16)**	-	16	**16**	**-**
Adjustments between accounting basis and funding basis under regulations		**58,720**	**58,720**	**(58,735)**	**16**	**(58,721)**	**-**
Net movement in reserves		**-**	**-**	**(5,851)**	**16**	**(5,837)**	**(5,836)**
Balance at 31 March 2022		**-**	**-**	**(2,034,922)**	**(1,575)**	**(2,036,497)**	**(2,036,497)**

Cash Flow Statement for the Chief Constable for Norfolk Constabulary

for the year ended 31 March 2023

2021/22 £000		2022/23 £000
(58,720)	**Net surplus / (deficit) on the provision of services**	**(61,640)**
	Adjustment for non cash or cash equivalent movements	
58,735	Movements on pension liability	61,755
(15)	Increase / (decrease) in revenue creditors	(117)
58,720	**Net adjustment for non cash or cash equivalent movements**	**61,638**
-	**Net increase or (decrease) in cash and cash equivalents**	**-**
-	Cash and cash equivalents at the beginning of the reporting period	-
-	**Cash and cash equivalents at the end of the reporting period**	**-**

Expenditure and Funding Analysis for the Chief Constable of Norfolk Constabulary

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

Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2021/22 £000	Constabulary	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2022/23 £000
			Year ended 31 March			
172,677	38,463	211,140	Constabulary	186,188	27,823	214,011
(193,251)	-	(193,251)	Intra-group funding	(206,493)	-	(206,493)
(20,574)	**38,463**	**17,889**	**Net cost of police services**	**(20,305)**	**27,823**	**7,518**
20,574	20,257	40,831	Other income and expenditure	20,307	33,815	54,122
-	**58,720**	**58,720**	**Deficit / (surplus) on the provision of services**	**-**	**61,638**	**61,640**
-			Opening general fund balance at 1 April	-		
-			**Closing general fund balance at 31 March**	**-**		

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

Table of Contents

1. Accounting Policies

The Statement of Accounts summarises the Chief Constable's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. Those practices primarily comprise the Code, supported by International Financial Reporting Standards (IFRS).

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

Cost recognition and intra-group adjustment

Refer to Note 4 for further details.

Recognition of working capital

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

Accruals of income and expenditure

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

Debtors and creditors

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

Employee benefits

Benefits payable during employment

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

Termination benefits

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

Post-employment benefits

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

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

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

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

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

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

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

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

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

Discretionary Benefits

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

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

Events after the reporting period

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

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

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

Government grants and contributions

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

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

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

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

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

Joint operations

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

Private Finance Initiative (PFI) and similar contracts

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

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

Contingent Liabilities

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

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

Reserves

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

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

Pension Reserve

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

Value Added Tax

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

Going Concern

The Code stipulates that the financial statements of local authorities can only be discontinued under statutory prescription and therefore 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 7 of the narrative report and Note 17 for detail of this review.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

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

The amendments required to be adopted under the 2023/24 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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 2023, and these standards will be initially adopted as at 1 April 2023, 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 2023/24 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 intends to adopt this standard from 1 April 2024.

3. Critical Judgements in Applying Accounting Policies

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

- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 2023/24 in regard of what the PCC will receive from the government and the limitations around the precept. The PCC and the Chief Constable are working together to mitigate the impact of the funding gap emerging over the period of the Medium-Term Financial Plan, the impact of which will be realised in the budget set by the PCC.

- The allocation of transactions and balances between the PCC and the Chief Constable has been set out in the Narrative Report to these accounts.

- The PCC for Norfolk has a significant number of assets including those under Private Finance Initiative (PFI) arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI) and the capital and financing costs of the provision of those assets in the PCC's account. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the Chief Constable have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the Chief Constable accounts including the service charges element of the PFI.

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

- In respect of the LGPS police staff pension costs, separate actuarial valuations have been carried out to provide the accounting entries for the PCC and the Chief Constable in 2022/23 and are reflected in the financial statements.

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

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

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

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

5. Notes to the Expenditure and Funding Analysis

Adjustments between the CIES and the General Fund

Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2021/22 £000	Constabulary	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2022/23 £000
38,478	(15)	38,463	Constabulary	27,940	(117)	27,823
38,478	**(15)**	**38,463**	**Net Cost of Police Services**	**27,940**	**(117)**	**27,823**
20,257	-	20,257	Other income and expenditure	33,815	-	33,815
58,735	**(15)**	**58,720**	**Difference between General Fund Deficit / (Surplus) & CIES Deficit / (Surplus)**	**61,755**	**(117)**	**61,640**

Expenditure and Income Analysed by Nature

Total 2021/22 £000		Total 2022/23 £000
	Expenditure	
202,192	Employee benefits expenses	202,836
32,791	Other service expenditure	39,400
40,831	Net pensions interest cost	54,122
275,813	**Total Expenditure**	**296,359**
	Income	
(8,885)	Fees, charges and other service income	(10,681)
(14,957)	Government grants and contributions	(17,544)
(23,842)	**Total Income**	**(28,225)**
251,971	**Deficit/(Surplus) on the Provision of Services before Intra Group funding**	**268,133**
(193,251)	Intra group funding	**(206,493)**
58,720	**Deficit/(Surplus) on the Provision of Services**	**61,640**

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Chief Constable with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £136.1m.

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 2022 to 31 March 2023.

7. 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 ………………2024. At the time of issue there were no adjusting or non-adjusting subsequent events that required disclosure.

8. Employees' Remuneration

The number of employees and senior police officers whose remuneration exceeded £50k in 2022/23 were as follows:

	Chief Constable	
	2022/23	2021/22
Remuneration		
£50,000 - £54,999	21	20
£55,000 - £59,999	10	8
£60,000 - £64,999	8	8
£65,000 - £69,999	2	3
£70,000 - £74,999	8	4
£75,000 - £79,999	2	2
£80,000 - £84,999	3	1
£85,000 - £89,999	1	3
£90,000 - £94,999	4	4
£95,000 - £99,999	4	3
£105,000 - £109,999	1	1
£115,000 - £119,999	2	-
£120,000 - £124,999	-	1
£130,000 - £134,999	2	1
£135,000 - £139,999	-	1
£160,000 - £164,999	-	1
£170,000 - £174,999	1	-

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

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

	Salaries Fees and Allowances £000	Employers Pension Contributions £000	Benefits in Kind £000	Total £000
2022/23				
Position held				
• Chief Constable - Paul Sanford	172	48	-	220
• Deputy Chief Constable (from 28.4.22)	133	39	1	173
Temporary Deputy Chief Constable (to 28.4.22)				
• Assistant Chief Constable	131	34	-	165
• Temporary Assistant Chief Constable (from 5.9.22)	107	29	-	136
• Temporary Assistant Chief Constable (from 1.1.23 to 1.2.23)	98	29	-	127
• Assistant Chief Officer	116	19	-	135
2021/22				
Position held				
• Chief Constable - Simon Bailey (to 30.6.21)	45	-	1	46
• Chief Constable - Paul Sanford (from 2.12.21)	160	42	4	206
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	2	168
Assistant Chief Constable (to 13.6.21)				
• Assistant Chief Constable	135	37	-	172
• Temporary Assistant Chief Constable (to 13.6.21)	97	28	-	125
• Assistant Chief Officer	113	19	-	132

During 2022/23 a Suffolk Constabulary officer acted until 4.9.22 as a Temporary ACC in a joint capacity, Norfolk Constabulary contributed 56.4% towards the cost of this post.

During 2022/23, a chief officer from Norfolk Constabulary acted as an Assistant Chief Constable (ACC) from 5.9.22 in a joint capacity, Suffolk Constabulary contributed 43.6% towards the cost of this post.

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

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

Exit Package Cost Band including Payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages		Total Value of Exit Packages	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£000							£000	£000
0-20	-	16	1	2	1	18	5	188
20-40	2	10	-	-	2	10	71	275
40-60	-	1	-	-	-	1	-	42
	2	27	1	2	3	29	75	505

9. Related Parties

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

During 2022/23 there were no material related party transactions involving senior officers of the Constabulary, other than those included under employees' remuneration set out in Note 8 of these financial statements. All Chief Officers have been written to requesting details of any related party transactions and there are no disclosures.

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

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

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

10. External Audit Costs

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

2021/22 £000		2022/23 £000
	The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts	
12	The Chief Constable of Norfolk	16
7	The Chief Constable of Norfolk scale fee variation 2019/20	-
9	The Chief Constable of Norfolk scale fee variation 2020/21	-
27		**16**

The scale fee set by PSAA has been reduced by £0.8k, this has not been received as a cash rebate. The net value is payable to the external auditors. In 2021/22 a cash rebate was received from PSAA to the value of £2.3k.

No fees have been paid to the auditors for non-audit work.

11. Grant Income

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

	Amount receivable for 22/23 £000	Amount receivable for 21/22 £000
Credited to Services		
Police incentivisation	269	337
Vulnerability Coordination Centre	1,604	1,401
Specific grant for police pensions	1,565	1,565
Serious Violence Duty	30	-
Other specific grants	14,107	11,654
	17,574	**14,957**

Other specific grants credited to services include £4.7m Tackling Organised Exploitation project grant, £2.0m for Operation Hydrant and £1.16m for a specific Home Office grant.

12. Private Finance Initiatives

Operations and Communications Centre at Wymondham

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

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

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

The payment recognised in the Chief Constable accounts for the services element during 2022/23 was £1,541m (£1,503m in 2021/22). Payments remaining to be made under the PFI contract for services at 31 March 2023 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	OCC Revenue Services £000
Payable in 2023/24	1,580
Payable within two to five years	6,239
Payable within six to ten years	8,260
Payable within eleven to fifteen years	6,814
	22,894

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 six properties located in the two counties – this being Norfolk 58.2% and Suffolk 41.8%. The payment recognised in the Chief Constable accounts is for the net services element which during 2022/23 amounted to £1.104m (£1.489m in 2021/22). This figure includes a credit received from Cambridgeshire Police for £0.539m in respect of services provided at the Kings Lynn PIC.

The PCC makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2023 (which exclude any availability / performance deductions or amounts receivable from Cambridgeshire Police), are shown in the following table:

	PIC Revenue Services £000
Payable in 2023/24	1,797
Payable within two to five years	10,614
Payable within six to ten years	13,421
Payable within eleven to fifteen years	13,654
Payable within sixteen to twenty years	10,887
	50,373

13. Retirement Benefits

Participation in pension schemes

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

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

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

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

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

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

All police pension schemes are unfunded defined benefit schemes, meaning that there are no investment assets built up to meet pension liabilities. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2019 as 31% of pensionable pay. A pensions top-up grant from the Home Office is received which funds contributions to a level of 21.3% and in 2022/23 a specific grant of £1.6m was received to part fund the cost of the recent change in contribution rates. The CIES is charged with the costs of injury awards and the capital value of ill-health benefits.

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

Transactions relating to post-employment benefits

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

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

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

	LGPS		Police Pension Schemes	
	2022/23	**2021/22**	**2022/23**	**2021/22**
	£000	**£000**	**£000**	**£000**
Comprehensive Income and Expenditure Statement				
Cost of services:				
Current service costs	20,291	21,195	39,970	48,070
Past service costs	184	-	-	-
Financing and investment income and expenditure:				
Net interest expense	3,422	3,251	50,700	37,580
Total post employment benefit charges to the surplus or deficit on the provision of service	**23,897**	**24,446**	**90,670**	**85,650**
Other post employment benefit charged to the CIES				
- Return on plan assets (excluding the amount included in the net interest expense)	11,388	(17,993)	-	-
- Actuarial gains / losses arising from changes in demographic assumptions	(2,254)	806	(33,820)	-
- Actuarial gains / losses arising from changes in financial assumptions	(177,718)	(32,622)	(645,140)	(25,300)
- Other	35,020	747	105,311	21,478
	(133,564)	(49,062)	(573,649)	(3,822)
Total post employment benefit charged to the CIES	**(109,667)**	**(24,616)**	**(482,979)**	**81,828**
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**109,667**	**24,616**	**482,979**	**(81,828)**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to scheme	9,160	8,763	43,651	42,598
Memo				
Retirement benefits payable to pensioners	(6,033)	(5,838)	(53,071)	(51,378)

Assets and liabilities in relation to retirement benefits

	Local Government Pension Scheme		Police Pension Schemes		Total Pension Schemes	
	2022/23	2021/22	2022/23	2021/22		
Present value of liabilities	(281,961)	(409,608)	(1,389,290)	(1,915,920)	(1,671,251)	(2,325,528)
Fair value of plan assets	293,427	290,606	-	-	293,427	290,606
Sub total	11,466	(119,002)	(1,389,290)	(1,915,920)	(1,377,824)	(2,034,922)
Other movements on the asset	(11,641)	-	-	-	(11,641)	-
Total net liabilities	**(175)**	**(119,002)**	**(1,389,290)**	**(1,915,920)**	**(1,389,465)**	**(2,034,922)**

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Police Pension Schemes	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening balance at 1 April	409,608	414,007	1,915,920	1,876,690
Current service cost	20,291	21,195	39,970	48,070
Interest cost	11,492	8,665	50,700	37,580
Contributions by scheme participants	2,848	2,659	9,420	8,780
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in financial assumptions	(177,718)	(32,622)	(645,140)	(25,300)
- Actuarial gains/losses arising from changes in demographic assumptions	(2,254)	806	(33,820)	-
- Other	23,543	736	105,311	21,478
Past service costs	184	-		-
Benefits paid	(6,033)	(5,838)	(53,071)	(51,378)
Effects of settlements	-	-	-	-
Closing balance at 31 March	**281,961**	**409,608**	**1,389,290**	**1,915,920**

Reconciliation of fair value of the scheme assets

	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Schemes	
	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Opening fair value of scheme assets at 1 April	290,606	261,626	-	-
Interest income	8,070	5,414	-	-
Remeasurement gain / (loss):				
- the return on plan assets, excluding the amount included in the net interest expense	(11,388)	17,993	-	-
- other	164	(11)	-	-
Contributions from employer	9,160	8,763	43,651	42,598
Contributions from employees into the scheme	2,848	2,659	9,420	8,780
Benefits paid	(6,033)	(5,838)	(53,071)	(51,378)
Effects of settlements	-	-	-	-
Closing fair value of scheme assets at 31 March	**293,427**	**290,606**	**-**	**-**

The total net pensions liabilities of £1,389m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,391m. However, the financial position of the Chief Constable remains sound as the liabilities will be spread over many years as follows:

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

Actuarial losses on scheme assets represent the difference between the actual and expected return on assets, actuarial gains on scheme liabilities arise from more favourable financial assumptions. Due to the effects of the March 2022 triennial revaluation of the LGPS, there has been a swing from the pension fund being in a net liability position to now being in a net asset position position which has resulted in an asset ceiling adjustment being made. IFRIC 14 states where there is a pension net asset an asset ceiling may be applied to the surplus on the pension fund. This limits the surplus recognised to the present value of any economic benefits available in the form of either refunds from the plan or reductions in future contributions. As the employer has no unconditional right to a refund from the Fund, there is no economic benefit available as a refund therefore the PCC has made a judgement to limit the surplus recognised in the accounts to the present value of reductions in future contributions. This adjustment is shown in the asset and liabilities table above as other movements on the asset. The other experience on obligations includes an allowance for the pension increase order applied to the funded obligation at April 2023 being different to the pension increase assumption adopted in the Employer’s Schedule of results at the start of the period. Within this other experience item, the funded obligations have increased by £23.6m.

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

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

	Fair Value of Scheme Assets			
	31 March 2023		31 March 2022	
	£000	%	£000	%
Cash and cash equivalents	**4,899**	**1.67**	**4,115**	**1.42**
Bonds - by sector				
- Government	2,522		2,934	
Sub total bonds	**2,522**	**0.86**	**2,934**	**1.01**
Property - by type				
- UK property	25,394		26,541	
- Overseas property	4,361		4,090	
Sub total property	**29,755**	**10.14**	**30,632**	**10.54**
Private equity - all:	**28,035**	**9.55**	**23,449**	**8.07**
Other investment funds:				
- Equities	139,545		122,251	
- Bonds	56,600		83,945	
- Infrastructure	32,962		23,217	
Sub total other investment funds	**229,106**	**78.08**	**229,412**	**78.94**
Derivatives:				
- Foreign exchange	(890)		65	
Sub total derivatives	**(890)**	**(0.3)**	**65**	**0.02**
Total assets	**293,427**	**100**	**290,606**	**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’s Department and the LGPS liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The actuary has confirmed that for police staff, there is no reason to believe that the age profile is rising significantly. The main assumptions used in their calculations are shown below.

	Local Government Pension Scheme		Police Pension Schemes	
	2022/23	2021/22	2022/23	2021/22
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	21.2	21.9	21.9	22.1
Women	24.3	24.6	23.5	23.8
Longevity at 65 for future pensioners				
Men	22.7	22.9	23.5	23.8
Women	26.1	26.2	25.0	25.4
Rate of inflation (CPI)	2.95%	3.15%	2.60%	3.00%
Rate of increases in salaries	3.65%	3.85%	3.85%	4.75%
Rate of increase in pensions	2.95%	3.15%	2.60%	3.00%
Rate for discounting scheme liabilities	4.75%	2.75%	4.65%	2.65%
Rate of CARE revaluation	n/a	n/a	3.85%	4.25%

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

	Local Government Pension Scheme		Police Pension Schemes	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% (PPS) 0.1% (LGPS) decrease in real discount rate	2.0%	6,027	8.0%	108
1 year increase in member life expectancy	4.0%	11,278	2.5%	34
0.5% (PPS) 0.1% (LGPS) increase in the salary increase rate	0.0%	752	1.0%	14
0.5% (PPS) 0.1% (LGPS) increase in the pension increase rate	2.0%	5,361	7.5%	107

Unlawful discrimination

On 16 July 2020 HM Treasury published their *Public service pension schemes consultation: changes to the transitional arrangements to the 2015 Schemes*, which contained the proposed remedy regarding the McCloud / Sargeant remedy.

On 4 Feb 2021 HM Treasury published their response to the consultation. This response confirmed: that the legacy schemes would be closed from 31 March 2022; a remedy would be introduced for the period 2015-2022 based on a deferred choice underpin basis; and, eligibility criteria for members to access the remedy.

On 19 July 2021 the Public Service Pensions and Judicial Offices Act 2022 was taken to the House of Lords. This received royal assent on 10 March 2022 and the Act came into force from 1 April 2022. HMT directions to accompany the act were published on 14th December 2022.

The Act closed the legacy schemes from 31 March 2022 and brings the retrospective remedy into force by 1 October 2023.

It is now for the Home Office to consult on the secondary regulations to bring the police determined by the act into force from 1 October 2023, this consultation opened on 28 February and closes on 23 May 2023.

Claimants have lodged claims for compensation under two active sets of litigation, Aarons & Ors and Penningtons.

Aarons & Ors

The Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is bought into force from 1 October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent.

Therefore, no liability in respect of compensation claims is recognised in these accounts.

Penningtons

As at 31 March 2023, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

Remedy

The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members.

The main elements of the Act are:

• Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases:

• Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the "remedy period" of April 2015 to 31 March 2022.

• From 1 April 2022, when the remedy period ended, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.

• Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period has led to an increase in the Police Pension Scheme liabilities.

The impact of an increase in scheme liabilities arising from the McCloud / Sargeant judgement is measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police body to maintain a pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year, the amount required to meet the deficit is then paid by the Secretary of State to the police body in the form of a central government top-up grant.

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 2022 and the police pension valuation took place in 2020. Implementation of the latter valuation is planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

Impact on the Chief Constable’s cash flow

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

Estimated employer’s contributions for 2023/24 amount to £9.37m on the LGPS and £41.4m on the Police Schemes. The weighted average duration of the defined benefit obligation for the LGPS is 21 years, 2022/23 (25 years, 2021/22) and for the Police Schemes is 17 years, 2022/23 (21 years, 2021/22).

14. Creditors

The balance of creditors is made up of the following:

	31 March 2023 £000	31 March 2022 £000
Short term creditors:		
Other payables	1,459	1,575
Balance at 31 March	**1,459**	**1,575**

15. Collaborative Arrangements

Local Collaboration

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

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

	Business Support £000	Justice Services £000	Protective Services £000	County Policing £000	Total £000
2022/23					
Suffolk PCC	21,714	12,966	17,351	539	52,570
Norfolk PCC	28,089	16,773	22,444	697	68,003
Total shared running costs	**49,803**	**29,739**	**39,795**	**1,236**	**120,573**
2021/22					
Suffolk PCC	19,983	12,217	16,227	555	48,982
Norfolk PCC	26,167	15,998	21,249	726	64,141
Total shared running costs	**46,150**	**28,216**	**37,477**	**1,281**	**113,123**

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 is for an indefinite duration.

The net expenditure incurred by each force in relation to ERSOU (Eastern Region Specialist Operation Unit) is as follows:

	Total 2022/23 £000	Total 2021/22 £000 Restated
Operating costs	30,057	24,703
Specific Home Office grant	(10,479)	(6,785)
Total deficit for the year	**19,578**	**17,918**
Contributions from forces:		
Bedfordshire	(2,112)	(2,016)
Cambridgeshire	(2,655)	(2,572)
Essex	(2,661)	(2,059)
Hertfordshire	(3,788)	(3,655)
Kent	(3,044)	(2,488)
Norfolk	(3,001)	(2,908)
Suffolk	(2,317)	(2,220)
	-	**-**

7F Commercial Services

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 have been 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 Services 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 2022/23 £000	Total 2021/22 £000
Operating costs	3,869	2,248
Contributions from forces:		
Bedfordshire	339	187
Cambridgeshire	427	240
Hertfordshire	608	340
Essex	798	488
Kent	844	517
Norfolk	482	270
Suffolk	372	206
	3,869	**2,248**

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 £152k was payable to West Yorkshire PCC in respect of the NPAS service provided.

16. Contingent Liabilities

MMI Ltd

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

Capped Overtime Claims

The organisation has a liability in respect of historic overtime claims including Covert Human Intelligence Source (CHIS) handlers and other officers in analogous roles. Officers from Devon and Cornwall Police claimed successfully in the County Court (October 2013) that they were owed payments under Police Regulations 2003. Their claims were upheld at the Court of Appeal. The claims relate to a cap being placed on overtime claims by the Chief Constable. Overtime caps were generally applied across the police service for CHIS handlers and other similar roles. All known CHIS handler claims have now been settled; however, Norfolk has an outstanding Undercover Unit (UU) 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 Unit (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 UU 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.

Data Breach

During 2022/23 the Constabulary became aware of a significant data breach. It is not currently possible to estimate the number of claims the Constabulary will receive arising from the breach or the total cost exposure associated with it. However, with the exception of the self-insured retention, it is expected that liability claims made against the Constabulary will be covered by the Constabulary's Liability Insurance Policy. Breach response costs will largely be covered by the Constabulary's Cyber Policy.

17. 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 £0.265m to £4.840m, has a Budget Support Reserve of £2.881m and has an Invest to Save Reserve of £1.755m that in extremis would be used to manage the financial risks of major incidents. Despite high levels of inflationary pressures across a number of services, the Group recorded an outturn overspend of £0.241m (0.12% of Net Revenue Budget).

A high-level scenario planning exercise has been completed and compared against our current MTFP assumptions. The budget gap for 2024/25 ranges between reasonable pragmatic case (£1.329m) to worst case (£6.399m) 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 2024 would reduce to approximately £12.508m. This still remains well above our minimum level of general fund balance as set by the PCC CFO of £4.840m.

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

2021/22 £000	£000		2022/23 £000	£000
		Contributions receivable		
		Employer		
	20,034	Normal	21,144	
	247	Early retirements	343	
20,281				21,487
		Members		
	8,655	Normal	9,126	
8,655				9,126
		Transfers in		
	235	Individual transfers in from other schemes	457	
235				457
		Benefits payable		
	(40,630)	Pensions	(42,629)	
	(8,758)	Commutations and lump sum retirement benefits	(7,940)	
	-	Lump sum death benefits	(125)	
	(262)	Other	(490)	
(49,650)				(51,184)
		Payments to and on account of leavers		
	(57)	Refunds on contributions	(100)	
	(37)	Individual transfers out to other schemes	(93)	
(95)				(193)
(20,574)		**Net amount payable for the year before contribution from the Police General Fund**		**(20,307)**
20,574		**Contribution from the Police General Fund**		**20,307**
-		**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 2023 (31 March 2022 £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 2022/23 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 £6.6m in 2022/23 (2021/22 - £6.2m).

Glossary of terms

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

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

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

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

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

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Contingent liability
A contingent liability is either:

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

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

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

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

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

Outturn
The actual amount spent in the financial year.

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

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

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

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

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

Precept
The proportion of the budget raised from council tax.

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

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

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

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

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

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

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

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

Vested Rights
In relation to a defined benefit scheme, these are:

a) for active members, benefits 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.

**ANNUAL GOVERNANCE STATEMENT FOR
THE POLICE AND CRIME COMMISSIONER FOR NORFOLK AND
THE CHIEF CONSTABLE OF NORFOLK 2022/23**

1. Background

1.1 This Annual Governance Statement (AGS) covers the financial year 2022/23 but extends to cover the period to the signing of the Statements of Accounts in xxxx. This statement is an opportunity to demonstrate compliance with the Code of Corporate Governance and the CIPFA Financial Management Code.

1.2 The Police and Crime Commissioner (PCC) and the Chief Constable for Norfolk are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

1.3 In discharging this overall responsibility, the PCC and Chief Constable are also responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of governance (incorporating the system of internal control) is maintained through the year and that arrangements are in place for the management of risk.

1.4 The Corporate Governance Framework, which sets out how governance 'works' for the PCC and Chief Constable, can be found on the PCC's website (www.norfolk-pcc.gov.uk) or may be obtained from the Office of the Police and Crime Commissioner for Norfolk, Building 7, Falconers Chase, Wymondham, Norfolk, NR18 0WW.

1.5 This Framework includes the joint Code of Corporate Governance (the Code) which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government [April 2016] (as expanded by a Guidance Note for Police [June 2016]).

1.6 The PCC's and Chief Constable's financial management arrangements conform to the governance requirements of the latest CIPFA Statement on the Role of Chief Financial Officers in Policing issued March 2021.

1.7 This AGS also explains how the PCC and Chief Constable have complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the review of the effectiveness of the system of internal control and the publication of an annual governance statement.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes and culture and values by which the PCC and Chief Constable are directed and controlled, and the activities through which they account to and engage with the community. It enables the PCC and Chief Constable to monitor the achievement of their strategic objectives and to consider whether those objectives have led to the timely delivery of appropriate, cost-effective services, including achieving value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's and Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

2.3 However, good governance is not only about processes, rules and procedures. The governance framework should be applied in a way which also demonstrates the spirit and ethos of good governance. Shared values which are integrated into the culture of an organisation and are reflected in behaviour and policy are essential hallmarks of good governance.

3. The Governance Framework

3.1 The Chief Constable is responsible for operational policing matters, the direction and control of police officers and police staff, and for putting in place proper arrangements for the governance of the Constabulary. The PCC is required to hold the Chief Constable to account for the exercise of those functions and those of the persons under the Chief Constable's direction and control. It therefore follows that the Commissioner must satisfy himself that the Constabulary has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

3.2 The PCC has adopted a Corporate Governance Framework (including the Code of Corporate Governance) and a Scheme of Governance and Consent which includes Financial Regulations and Contract Standing Orders. These are reviewed periodically in accordance with requirements.

3.3 A governance framework has been in place throughout the financial year 2022/2023 (ending 31 March 2023) and [up to the date of the approval of the Statements of Accounts].

3.4 The key elements of the systems and processes that comprise the PCC's and Chief Constable's governance arrangements and how these adhere to the seven principles in the Code are set out below: -

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

3.5 The Police Code of Ethics, produced by the College of Policing, describes the principles that every member of the policing profession in England and Wales is expected to uphold and the standards of behaviour they are expected to meet. This Code applies to all those who work for the Constabulary, be they police officers, police staff, contractors or volunteers. Staff have been made aware of the Code of Ethics and its implications. Policies, procedures and training products are reviewed in line with the Code and it is central to decision making using the National Decision Making Model. Where there are breaches of the Code of Ethics or the Standards of Professional Behaviour there is a positive duty to report these matters. The Joint Professional Standards Department receives such reports, and these are investigated appropriately and in accordance with Police Regulations. A Code of Conduct based on the Code has also been adopted by the PCC and staff of the OPCC.

3.6 Following the enactment of the Police and Crime Act 2017, a number of Police Regulations changed on 1st February 2020 and these changes include the Chief Constable no longer being the appeal body for complaints from the public with the PCC now becoming the review body. Appeals are now referred to as a 'right to review'. Other changes include less serious misconduct matters being dealt with as 'Practice Requiring Improvement' which will involve line managers in improving the officer's performance rather than instigating formal misconduct proceedings. The OPCCN and the Constabulary continue to work together to consolidate the implementation of the new regulations and processes. The OPCCN appointed a part time Police Complaints Review Officer to deal with the new process and they have been in post since January 2020. The implementation of the new model has now been in operation since February 2020 and although there have been no issues there is a high volume of requests being submitted and the OPCCN have considered a range of options for additional resourcing to assist the part time Police Complaints Review Officer role to ensure the efficient and effective delivery of the service. The Complaints and Compliance Officer post has been reviewed and an additional responsibility has been added with regards to conducting and administering complaint review validity assessments. The role has now evolved into Complaints and Compliance Manager and as part of this now provides support to the Police Complaints Review Officer. In addition, regular reporting on the number of complaint reviews is carried out through the Norfolk Police and Crime Panel Complaint's Sub-Panel.

3.7 Formal policies also exist in respect of whistle blowing, public complaints, anti-fraud and corruption, declaration of business interests, gifts, loans and hospitality and disclosable associations. An Ethics Committee has been established to enable staff to raise for consideration ethical issues affecting the Constabulary to enable further improvement in the transparency, professionalism and ethical approach of staff, policies and procedures to such issues. A Joint Integrity Board has also been established with the aim of securing the internal confidence of staff and officers in the fair application of policy and process in matters of integrity and ethics and to ensure that the organisations manage risk and learn from cases to improve the service provided.

Principle B - Ensuring openness and comprehensive stakeholder engagement

3.8 The OPCCN's website contains details of the meetings the PCC holds with the public, partners, Chief Constable, Audit Committee and Police and Crime Panel. Agendas, reports, and minutes are available for public scrutiny where appropriate and social and digital media are frequently used to inform people unable to attend and to summarise meetings and key decisions.

3.9 The Constabulary regularly shares information about policing activity to keep communities informed, aware and educated about local issues. This is achieved through content on social and digital media channels including Twitter, Facebook, Instagram, Next Door, LinkedIn, the force website, and indirectly via the local media parish newsletters and parish and council meetings. Members of the public can also sign-up to receive messages directly via email through Police Connect.

3.10 The Constabulary has a Communications and Engagement Strategy, and this sets out how the force will effectively engage with the residents of Norfolk in accordance with Section 34 of the Police Reform and Social Responsibility Act 2011. Key aims include actively engaging with local communities, using offline platforms and online digital technology to reach a wider audience, ensuring officers and staffs have a clear understanding of expectations, working with partners, and acting on feedback to ensure we meet needs and requirements.

3.11 Representatives of the PCC attend meetings regularly to ensure that the arrangements the Constabulary has in place are effective. The PCC's Office (OPCC) also has its own Communications and Engagement Plans, setting out how it will obtain the views of the community and victims of crime regarding policing for a rolling twelve-month period. The OPCCN has a Consultation and Engagement Officer to review, develop and deliver its engagement activities and oversee delivery of the Engagement Strategy. The Communications and Engagement Plan is reviewed and updated annually to take into the account the PCCs priorities as set out in the Police and Crime Plan, and new and emerging priorities; either strategic or tactical.
Engagement is carried out through established fora such as the Independent Advisory Group and Youth Commission, strategic and operational partnerships and bespoke activity and events at a national, regional and local level.

3.12 The PCC held a countywide budget consultation asking Norfolk people whether they agreed to a precept rise for 2023/24. Key partners were also consulted. The results of the police budget 2023/24 consultation show that 51% of those who took part said they would be prepared to pay extra through the policing element of their council tax. The PCC holds regular public meetings (Police Accountability Meetings) to hold the Chief

Constable to account and hosts online surgeries for the public to engage directly with the PCC.

3.13 The OPCC manages a key independent advisory panel, the Independent Advisory Group (IAG). The IAG engages with a range of stakeholders for different purposes, ranging from developing strategy, assessing the efficiency and effectiveness of the police force and commissioning services, to promoting community safety indicatives and building confidence.

3.14 The Constabulary measures the satisfaction of service users through the use of victim surveys and reports to the Office of the PCC on levels of satisfaction as one of the agreed Police and Crime Objectives. It also reviews public confidence through monitoring of results through the Crime Survey of England and Wales. In addition, Norfolk Constabulary undertakes a public perceptions survey that can be broken down to district level, which can be used to assess qualitative performance on feelings of safety and community confidence in policing. The Corporate Communications team carried out a public engagement survey in May 2022 to understand how communities wanted to receive updates on local police activity as well as the type of information they want to read out to help tailor the service we provide.

3.15 Norfolk Constabulary collaborates extensively with Suffolk Constabulary as it has done since 2008. This formal collaboration is across a range of services including operational policing and back-office functions. The PCC is required to give approval to collaborative opportunities before they can commence. The PCCs of Norfolk and Suffolk meet during the year to discuss and discharge their governance responsibilities. In addition to this there are governance arrangements that cover operational managers and Chief Officers. The main drivers have been to maintain the effectiveness of operational and organisational support and to drive out savings through economies of scale and efficiencies in order to protect front line resources wherever possible.

3.16 There are also services that are subject to ongoing regional collaboration. A Seven Force Strategic Network has been established (this is essentially the three strategic collaborations of Norfolk / Suffolk, Kent / Essex, and Bedfordshire / Cambridgeshire / Hertfordshire). This network looks for opportunities to converge processes and practices where relevant, and also looks for wider collaboration opportunities where it is practical to do so. The network is governed jointly by the seven PCCs and seven Chief Constables.

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

3.17 Giles Orpen-Smellie was elected the new Police and Crime Commissioner for Norfolk taking up his post on 13th May 2021. The PCC announced that the previous plan drawn up by his predecessor would still apply for the first year of his term and his new Police, Crime and Community Safety Plan would run from 2022-2024. The financial accounts 2022/23 therefore reflect the new priorities of the plan as shown below.

3.18 The PCC consulted widely following his election in 2021 and this influenced the drafting of his Plan. The Plan set out six pillars for Norfolk and outlined the PCC's vision for tackling and preventing crime, protecting the most vulnerable and supporting victims.

The six pillars are: -

- Sustain Norfolk Constabulary
- Visible and Trusted Policing
- Tackling Crime
- Prevent offending
- Support victims
- Community Safety

3.19 The Plan has been monitored through two public forums:

- The Police Accountability Meetings (PAM) where the Chief Constable is held to account by the PCC for delivery against the Police and Crime Plan.
- The Norfolk Police and Crime Panel (PCP) where the PCC's work is scrutinised by the Panel for delivery against the Police and Crime Plan.

The public can submit their questions to both the PAM and the PCP, and this aids transparency and community confidence in policing potentially and provides additional governance.

All these performance reports are published on the OPCCN website PCC Accountability Meeting | Norfolk PCC (norfolk-pcc.gov.uk)

and the Police and Crime Panel section of the Norfolk County Council website: https://www.norfolk.gov.uk/what-we-do-and-how-we-work/policy-performance-and-partnerships/partnerships/crime-and-disorder-partnerships/police-and-crime-panel

3.20 There is a co-ordinated process for strategic and medium-term financial planning (MTFP) that uses Outcome Based Budgeting (OBB) principles. The budget for 2022/2023 proposed by the PCC was based on an increase in the council tax (following consultation) of £9.99 per annum for a Band D equivalent property. The increase in the precept has been used to maintain services for the communities of Norfolk. The PCC's proposal was supported by the Police and Crime Panel. Savings were required to balance the budget. The work involved in preparing the budget and the MTFP requires close liaison with operational staff and budget managers followed by a detailed process of scrutiny and challenge by Chief Officers and the PCC and OPCC Executive in order to ensure that the MTFP can finance the strategic aims of the Constabulary and the PCC.

3.21 There is a clearly defined corporate performance management framework. Objectives and key performance indicators are established and monitored both at a corporate and local level. Regular reports are made to senior managers, the Command Team, the Commissioner and the Norfolk Police and Crime Panel on performance against objectives. This includes detailed analysis and scrutiny of performance and compares performance against the most similar family of forces.

3.22 Proposals for collaboration go through a detailed process, designed to ensure that all options are considered, outcome and risk assessed and that all parties can sign up to formal agreements in the knowledge that future policy, performance and resource levels are recognised at the offset. Dedicated resources are in place to support those units subject to Norfolk / Suffolk collaboration, including the formulation of detailed business cases. The business cases are subject to review by senior officers and, where required, the Joint Chief Officer Teams of the two constabularies. New collaboration or significant changes to existing collaborated functions are further discussed before final sign off by the two PCCs. This is underpinned by formal agreements covering the legal aspects of collaboration. A similar process applies to regional proposals.

3.23 A Portfolio Management Office (PMO) oversee the planning, implementation and delivery of Norfolk and Suffolk Constabularies' overarching change programme in accordance with the two forces' strategic priorities and reports upwards via the Joint Strategic Planning and Monitoring Board meeting into the Joint Norfolk and Suffolk Chief Officer Team. Reporting information is produced, that includes an overarching milestone plan including project metrics, portfolio level highlight reports, programme RAID logs, benefits tracking and organisational capacity analysis.

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

3.24 Norfolk and Suffolk Constabularies gather data and intelligence from a range of sources to produce an annual Strategic Assessment. The Strategic Assessment considers all relevant internal and external factors that might impact upon policing, crime and disorder at county and local level, highlighting emerging issues, risks and threats. All operational issues are risk assessed using the nationally recognised Management of Risk in Law Enforcement (MoRiLE) framework. The Strategic Assessment is then used to inform the development and review of the Police and Crime Plans, and the local policing plans and performance frameworks. It also leads to the setting of the Operational Control Strategy for which there are identified strategic leads for each theme area. In 2022/23 the Control Strategy and overarching Strategic Assessment were also woven into the Norfolk Force Management Statement (FMS). Partners are consulted in the development of the Strategic Assessment and the final document is also shared with them to help aid their decision making and planning.

3.25 Norfolk Constabulary also produce an annual Force Management Statement (FMS), which is a self-assessment that chief constables prepare and give to HMICFRS each year. The FMS explains the demand the forces expect to face in the foreseeable future and assesses this against the constabulary's workforce (capacity, capability and security of supply) and the extent to which current force assets will be able to meet the expected future demand. The FMS also assesses how the constabulary will change to cope with future demand and the potential effect of any residual risk of service failure. The Force Management Statement (FMS) is now an evergreen product and refreshed throughout the financial year. The results of which are used to consider prioritisation of change projects and programmes along with the overall consistency of decision making for areas such as the annual Service and Financial Planning (OBB) process.

3.26 The Constabulary undertakes strategic analysis in the form of strategic profiles. Where relevant, these are produced jointly for Norfolk and Suffolk, highlighting any cross force and single force issues. The profiles cover a range of strategic crime and thematic topics such as drug offending (e.g. the refreshed drug market profile), whilst also looking at organisational issues such as Engagement in Policing profile. They provide a comprehensive account of the topic, taking into consideration any existing research or 'what works' evidence to inform strategic and tactical action plans and decision making. Partnership data is utilised wherever possible, and consultation is also undertaken with stakeholders outside of policing as a key part of the process. These strategic profiles are used to inform the overall Strategic Assessment and help operational decision making. In 2022/23 a number of national profiles were supported, including Homicide and Violence against Women and Girls (VAWG).

3.27 The Strategic Business and Operational Services (SBOS) department undertakes analysis, research, and improvement and evaluation activity across the Constabulary, covering strategic, operational, organisational and performance reporting. SBOS also leads on policy, corporate risk management, programme/project management and prioritisation, benefits identification and joint operational or organisational project work (including business analysis). Finally, SBOS also lead on compliance with the Home Office Counting Rules through a crime registry and audit function. The collaboration of these distinct areas of business within one department allows for more informed analysis to take place which could relate to any part of the organisation, whether operational or organisational. This collaboration also results in the greater use of a variety of techniques to aid tactical and strategic decision making and to formulate problem solving approaches. The department seeks to use an evidenced based approach to its work ensuring that 'what works' is considered as part of the Constabulary's problem-solving activity and evaluations are conducted to ensure lessons are learnt and successes identified.

3.28 The SBOS department produces analytical work to support a number of forums and groups, including the Tasking and Co-ordination Group meetings and Performance and Accountability meetings, delivering strategic and tactical products which facilitate forward resource planning and the identification and management of threat, risk and harm, thereby minimising costs to the organisation. SBOS also produces analysis in collaboration with external organisations and partners (including ambulance, fire & rescue service, county council, youth offending team, and trading standards) in order to better understand performance in the context of shared demand.

3.29 SBOS is also one of the founding partners of the Norfolk Office of Data Analytics (NODA). NODA brings together local authority and police data to help inform 'whole system' analysis on high priority areas. NODA has developed over the years, allowing the provision of its own dedicated if small analytical capability which has been utilised by the Constabulary. NODA played a key role in data provision during the COVID19 pandemic linking data from different county services to help build a picture of the situation in a dynamic and joined up way, helping identification of the most vulnerable through multiple partnership datasets and working with the University of East Anglia on world class predictive forecasting of infection rates. During 2022/23 NODA has led on the County wide Domestic Abuse needs assessment, linking together various partners across all Districts. The SBOS department supports the Constabulary in meeting its statutory and legislative requirements regarding information and data provision including the Annual Data Returns as set out by the Home Office and data requirements from HMICFRS. SBOS also provide data for a large proportion of Freedom of Information requests.

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

3.30 Leading with Care (LWC) continues to be the leadership development framework used in Norfolk and Suffolk Constabularies. Participation rates are now over 1000 staff and officers using the pathways to progress leadership development capability. LWC will be refreshed and re-launched to open the opportunities to the wider workforce.

3.31 The College of Policing has launched the National Police Leadership Centre, this will progress the national standardisation of leadership development, progression and promotion. The LWC framework is well placed to align to national changes including development prior to promotion, this is a requirement of the new Sergeant and Inspector Promotion process (SiPP). The STRIPES programme for Police Constables aspiring to the rank of Sergeant is in place to provide technical leadership learning to support operational capability; a further technical support course for aspiring Inspectors is now being developed.

3.32 The force has launched 'The Right Culture', this is a significant programme of new work designed in response to the Casey Review and looks to review and improve organisational culture through a series of education events for leaders. All leaders will participate in the communication and learning events with a cascade to all staff and officers. A new one-day leadership training event to support The Right Culture and a Leaders Toolkit will be delivered during 2023 and early 2024.

3.33 Leadership apprenticeships continue to be offered and completed for police staff to replicate the qualifications offered to officers via the Police Officer National Promotion Framework.

3.34 The Police Education Qualification Framework (PEQF) is in its second year and the programme includes leadership level 1 within the curriculum.

3.35 Norfolk and Suffolk are one of six forces taking part in a National Coaching and Mentoring pilot 'Push Far' and has 49 candidates taking part. This scheme provides a national coaching pool designed to support leadership and personal development and increases our diversity and pool of coaches and mentors available.

3.36 The Learning Management System (LMS), "The Best I Can Be", has been re-launched and now contains clearer signposting on accessing development. Monthly data reports show a steady increase in users and the tracking of popular programmes. The LMS will be used to host force wide digital learning packages for leadership development.

3.37 The force is now using an electronic PDR, this has enabled the tracking of completion rates across all of the commands. Further development work will take place to streamline the form and improve the usability. Data pulls from PDR will focus on progression and promotion, identifying high potential and linking into retention strategies. The People Board continues to monitor PDR and push for improved engagement and consistency across departments. PDRS are the central document used in promotion processes.

3.38 The People Directorate business case investment is entering its third phase and the introduction of talent management and succession planning is now being progressed. The work will support talent management and succession planning strategies to support future capability demands.

3.39 Our Apprenticeship Programme is embedded well with the aim of providing training for officers and staff in emerging, hard to recruit or retain skills and to upskill our staff for 21 Century Policing. Managers are now fully engaged with the concept and are identifying opportunities for upskilling staff and for recruiting new people who have potential to develop, particularly in new skill areas. We currently have 44 live Apprenticeships across 15 different Apprenticeship Standards ranging from Level 3 (A level) to Level 7 (Master's) including leadership and management, intelligence and data analysts, digital and technical solutions, improvement practitioner and procurement. Three cohorts of leadership apprentices recently completed with 100% passing with Distinction. In addition, we have 175 officers across both forces enrolled on the Police Constable Degree Apprenticeship.

3.40 To compliment the online onboarding programme, the force will re-introduce face to face induction days. These events provide the opportunity for new recruits to be fully briefed on the learning & Development opportunities available and career/leadership pathways.

Principle F - Managing risks and performance through robust internal control and strong public financial management

3.35 The PCC and Chief Constable have Risk Policies in place to ensure that the risks facing the organisation are effectively and appropriately identified, evaluated and reported. The Joint Norfolk and Suffolk (Constabularies) Risk Management Policy includes details of the risk management framework within the governance structure of Norfolk Constabulary. It sets out risk management requirements and practices that should be undertaken; by whom and when. The policy supports a robust risk management approach for ensuring that strategic objectives are achieved and shows how risk is dealt with, by mitigation and/or escalation to the appropriate level in the organisations. A similar policy has been drawn up by the Norfolk Office of the PCC (OPCC). The Audit Committee routinely sees the Strategic Risk Registers.

3.37 The Crime Registry and Audit functions for Suffolk and Norfolk, which are part of SBOS, carries out independent and rigorous audit of crime and incident recording. It provides an objective assessment of how the Constabularies are complying with the National Crime and Incident Recording Standards. The audit reports produced are reviewed by Chief Officers and if areas for improvement are identified, action is allocated and taken accordingly. As necessary, any areas of risk in relation to Crime Data Integrity are also raised at the Force Crime Data Integrity meetings and, where relevant, at Force performance meetings. They are also detailed on the risk register.

3.38 In last year's report, we highlighted that in 2019 Her Majesty's Inspectorate of Constabularies, Fire and Rescue Services (HMICFRS) conducted a Crime Date Integrity Inspection which found an estimated 8700 crimes had been under reported. As a result, the force was graded as Requiring Improvement in this area. This created 6 Areas for Improvement (AFI) and 3 recommendations allocated to the force. Whilst the inspectorate identified outstanding leadership in this area of business, they found that staff did not understand the increasingly complex crime recording rules.

3.39 The Crime Data Integrity Quality Assurance Team continues to ensure all incidents are correctly recorded on notification to police, as they come to the control room. Their work saw the removal of the AFIs and recommendations by HMICFRS when re-inspected in 2022. Internal Crime Data Integrity audits show recent compliance rates of 99.37% which if graded would be expected to be either Good or Outstanding.

3.40 Even with the additional flexibility available to the PCC for precept increase in 2022/23; over the medium term, efficiencies will continue to be identified so that operational demand and cost pressures can be met. By the 31 March 2023 some £42.4m of annually recurring savings will have been found. Over the MTFP period to 2026/27 a further c£3m has been identified. Reserves are forecast to reduce from nearly £23m at 31 March 2023 to £14m by 31 March 2027 and these levels remain within the acceptable range defined in the Reserves Strategy of the PCC.

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

3.41 The Commissioner has a statutory duty to produce and publish an Annual Report which details performance for the previous year against the objectives and performance measures set in the Annual Policing Plan. Financial performance against the revenue budget, capital programme and levels of reserves is reported regularly through the Police Accountability Forum. The Annual Report and financial performance papers are published on the OPCC website.

3.42 Following on from previous years whereby the OPCCN has received the Transparency Quality Mark for meeting its statutory requirements for openness and transparency the office undertook to develop a new process using members of the community who sit on the Norfolk Independent Advisory Group (IAG) to help assess our compliance and ensure continued independent scrutiny. Membership of the IAG includes independent residents of Norfolk which makes them ideal candidates for carrying out an independent assessment of the OPCCN.

The Specified Information Order (SIO) is a statutory requirement for Elected Local Policing Bodies which sets out what information should be maintained and published on our website.

In 2022/23 the OPCCN commissioned members of the IAG to undertake an internal audit to ensure continued compliance of the OPCCN with the SIO in the absence of the Transparency Quality Mark process. The results of this audit are published on the OPCCN website and can be accessed by clink on this link.

Following the success of this new process, policies were reviewed and amended and now the second audit is underway and will be completed in January 2024 and published by 31st March 2024 on the OPCCN website.

3.43 The Audit Committee has overseen the full programme of internal and external audit activity. See paras 4.20 to 4.22.

4. Review of Effectiveness

4.1 The PCC and Chief Constable have responsibility for conducting an annual review of the effectiveness of the governance framework, including the system of internal control.

4.2 This review of effectiveness is informed by

- the work of executive managers within the Constabulary and the OPCC who have the responsibility for the development and maintenance of the governance environment,
- the head of internal audit's annual report and
- comments made by the external auditor and other review agencies and inspectorates.

4.3 A full report will be presented to the Audit Committee ahead of the sign-off of the accounts. The groups and processes that have been involved in maintaining and reviewing the effectiveness of internal control include the following:

Corporate Governance Working Group

4.4 This Group has been established to review the corporate governance framework and systems of internal control and to oversee the preparation of this Annual Governance Statement. The group comprises the Chief Executive of the PCC, the Director (Performance and Scrutiny) OPCC, the PCC's CFO, the Chief Constable's Assistant Chief Officer, the Head of Strategic Business and Operational Services and one co-opted member of the Audit Committee. These officers are involved in the oversight of the governance framework and its processes and can review its effectiveness.

Internal Audit

4.5 Internal audit delivered under contract by TIAA since 1 April 2015 provides independent and objective assurances across the whole range of the PCC's and Constabulary's activities and regularly presents findings to the Audit Committee of the PCC and Chief Constable. TIAA has taken a managed audit approach in conjunction with external audit to ensure that all necessary areas of compliance are covered. The audit programme for the year was prepared and agreed with the PCC and Chief Constable following a risk-based assessment. At each meeting of the Audit Committee the Head of Internal Audit also presents a 'Follow-Up' Report which sets out the numbers of implemented recommendations and those which remain outstanding.

4.6 The original contract with TIAA ended on 30 June 2021. A tender exercise was undertaken. However, this did not result in a successful award. Arrangements with TIAA were therefore extended until 30 June 2022. A fresh procurement exercise was then undertaken with TIAA reappointed as the PCC and Chief Constable's internal auditors. The contract period was from 1 July 2022 for two years with the option of a 2 x 1 year extension.

4.7 Internal audit is required to give an overall opinion on the adequacy and effectiveness of the framework of the internal control and risk management environment.

4.8 The draft overall opinion for 2022/23 from the Head of Internal Audit is shown below:

TIAA is satisfied that, for the areas reviewed during the year, the Office of the Police and Crime Commissioner for Norfolk and Chief Constable of Norfolk Constabulary has reasonable and effective risk management, control and governance processes in place. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Office of the Police and Crime Commissioner for Norfolk and Chief Constable of Norfolk Constabulary from its various sources of assurance.

4.9 Out of 13 audits, 12 received reasonable assurances, and 1 substantial assurance.

External Audit and Other External Review Bodies

4.11 The external auditor (Ernst and Young LLP), was re-appointed by Public Sector Auditor Appointments in 2017. External Audit provides a further source of assurance by reviewing the annual accounts and value for money assessment and reporting upon internal control processes and any other matters relevant to their statutory functions and codes of practice. At the time of writing the 2021/22 audit is being concluded along with the value for money conclusion. The External Auditor's Annual Audit Letter will therefore be issued in due course.

4.12 There was a new PSAA procurement process undertaken to appoint auditors for the next 5 year appointing period and notification was received in autumn 2022 as to who the external auditor will be for the PCC and Chief Constable. Ernst and Young LLP were reappointed under the procurement.

4.13 His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) assesses police forces across England and Wales under the Police Effectiveness, Efficiency, and Legitimacy (PEEL) inspection programme. A model of continuous assessment has been adopted to achieve a broader and more comprehensive understanding of force performance.

4.14 The Constabulary was last subject to a PEEL inspection between June 2021 and June 2022, with HMICFRS publishing their findings report in October 2022. A copy of the inspection report can be found on the HMICFRS public website: PEEL 2021/22: An inspection of Norfolk Constabulary

4.15 The Constabulary received the following gradings:

Outstanding	Good	Adequate	Requires improvement	Inadequate
Good use of resources	Preventing crime	Investigating crime	Treatment of the public	
	Managing offenders	Responding to the public		
	Developing a positive workplace	Protecting vulnerable people		

4.16 In addition to awarding these gradings, HMICFRS set the Constabulary eleven Areas for Improvement (AFIs). The progress that the Constabulary continues to make against each AFI is monitored through a monthly meeting chaired by the Deputy Chief Constable. HMICFRS will re-inspect these AFIs as part of the 2023 – 2025 assessment process.

4.17 Through the 2021 – 2022 PEEL inspection programme, HMICFRS separately assessed how good police forces are at disrupting serious and organised crime (SOC). The framework for this part of the inspection examined how well forces respond to SOC, both regionally and locally. HMICFRS published their findings report following their inspection of the eastern regional response to SOC in May 2023. The Constabulary was pleased to see the Eastern Region Special Operations Unit (ERSOU), which is made up of officers from across the region including Norfolk, receive a 'Good' grading. This was the highest grading awarded to any Regional Organised Crime Unit in the round of inspections. At a local level, Norfolk Constabulary received a 'Requires Improvement' grading, with four Areas for Improvement. Since the inspection, the Constabulary has made significant progress towards addressing these AFIs.

4.18 In November 2022 Andy Cooke, His Majesty's Chief Inspector of Constabulary, wrote to all Chief Constables with notification of the preliminary 43-force PEEL inspection schedule for 2023 – 2025 and the updated PEEL Assessment Framework (PAF), which outlines the core question and the characteristic of good for each, against which forces will be inspected. We anticipate that the field inspection stage of our PEEL assessment will take place in April 2024, with our final report likely to be published in August 2024. This is however subject to change and we await our formal notification letter from HMICFRS which will confirm the dates of our inspection activity.

4.19 The Constabulary continues to progress recommendations allocated to all forces in England and Wales by HMICFRS that result from their national thematic inspections. The following reports were published in 2022/23:

- An inspection of how well the police tackle serious youth violence.
- An inspection into how well the police and other agencies use digital forensics in their investigations.
- An inspection of vetting, misconduct, and misogyny in the police service.
- Twenty years on, is MAPPA achieving its objectives?
- State of Policing: The Annual Assessment of Policing in England and Wales 2021.
- An inspection of how well the police and National Crime Agency tackle the online sexual abuse and exploitation of children.

4.17 Regarding data protection, data breaches continue to be reported via the appropriate channels. Each breach is investigated, and appropriate action and mitigation is taken to contain and manage any risk. The Deputy Chief Constables of Norfolk and Suffolk are the Senior Information Risk Owner (SIRO) and are involved in reviewing the high-risk data breaches that are considered for referral to the Information Commissioner's Office (ICO). Norfolk and Suffolk Constabularies made 5 referrals (2 Norfolk, 3 Suffolk) in financial year 2021/22. None of these have resulted in formal action from the ICO. 8 referrals (6 Suffolk, 2 Norfolk) were made to the ICO in financial year 2022/23. None of these have resulted in formal action from the ICO, however 3 are currently still under review (1 Norfolk, 2 Suffolk). The 3 outstanding reviews with the ICO relate to the breach of personal data within FOI responses. The Constabularies immediately launched a response in relation to this incident resulting in the referrals to the ICO, a rapid review of processes and procedures, changes to internal practices and a detailed analysis of the data involved and who was impacted. The process of updating those individuals who need to be notified about an impact to their personal data is complete. Norfolk and Suffolk Constabularies have made 9 referrals (4 Suffolk, 5 Norfolk) so far in financial year 2023/24. 5 of these have been closed by the ICO and have not resulted in any regulatory action. 4 referrals currently remain open (1 Suffolk, 3 Norfolk).

4.18 The Chief Executive of the OPCCN is the Data Controller for that organisation and manages data breaches of which there have been none for the OPCCN during 2022-23.

Police and Crime Panel

4.19 The Police and Crime Panel provides checks and balances in relation to the performance of the PCC and scrutinises the PCC's exercise of his statutory functions. The Panel is independent of the PCC and after District Council elections in May 2023 consists of 3 county councillors, 7 district councillors and 2 independent co-opted members.

Audit Committee

4.20 The members of the Audit Committee are entirely independent people recruited for their scrutiny skills. They have no conflicts of interest and provide objective advice on audit and wider governance issues. The Committee provides advice, to the PCC and Chief Constable, on audit and governance issues and champions both audit and the embedding of risk management. Specifically, it receives and scrutinises the review of the system of internal control and agrees and monitors any action plans resulting from those reviews. The Committee regularly reviews its own performance and prepares an annual report for submission to the PCC and Chief Constable.

4.21 In addition to this the Committee also examines and considers the draft Annual Governance Statement and reviews the draft accounts of the PCC and Chief Constable to make recommendations in this respect. Also, it reviews the annual draft Treasury Management Strategy, monitors its application during the year and makes recommendations as appropriate.

4.22 Committee members have continued to receive briefings and training through the year.

5. Significant Governance Issues

5.1 In January 2023 the constabulary identified a data breach relating to a small number of Freedom of Information (FOI) requests for crime statistics. A technical issue led to raw data being included in digital files in FOI responses for crime statistics requested between April 2021 and March 2022. It related to 18 FOIs – which represents 1.3% of responses issued in a year by the constabularies. The data was hidden from anyone opening the files but shouldn't have been included.

5.2 As the audit of the 2021/22 Statement of Accounts had not been concluded, the constabularies were required to assess the impact on the accounts. To that end, the 2021/22 accounts include an updated disclosure on Events After the Reporting Period that outlines that the PCC and Constabularies recognise the issue but are not yet able to assess a liability to include in the accounts.

5.3 For the 2022/23 accounts it has been concluded that a contingent liability should be included to recognise the fact that claims will be received connected to the data breach but their timing and quantum are not known. Where claims have been received these will be assessed and provided for if appropriate..

5.4 Due to nature and timing of identifying the data breach, the finalising of the 2021/22 accounts was delayed and in addition the publication of the draft 2022/23 accounts was also delayed. This approach was taken in agreement with the external auditors Ernst & Young for public interest reasons, in particular to enable the sensitive handling of interests of the data subjects whose data was breached. These matters have now been concluded and the audits can be completed.

6. Conclusion and Assurance Summary

6.1 This report has highlighted the issues which have been identified during the year and which are being addressed.

6.2 The Corporate Governance Working Group has concluded that the governance arrangements are fit for purpose in accordance with the governance framework.

6.3 Finally, we are satisfied that this report is an accurate commentary on the governance arrangements in place in the Constabulary and the OPCC and of their effectiveness during this period.

Signed

Police and Crime Commissioner for Norfolk	Chief Constable of Norfolk

Mark Stokes
Chief Executive
Office of the Police and Crime Commissioner

Jill Penn CPFA Chief Finance Officer Office of the Police and Crime Commissioner	Peter Jasper Assistant Chief Officer Constabulary Chief Finance Officer

Date:

Signed on behalf of the senior staff of the Police and Crime Commissioner for Norfolk and on behalf of the Chief Officers of Norfolk Constabulary.

Police and Crime Commissioner for Norfolk / Chief Constable of Norfolk Constabulary

Norfolk Constabulary

Completion Report for Those Charged with Governance

Year ended 31 March 2023

Report issued - 25 November 2024

EY

Building a better working world

Police and Crime Commissioner for Norfolk and Chief Constable for Norfolk
Constabulary
Jubilee House
Falconers Chase
Wymondham
Norfolk, NR18 0WW

XX Month 20XX

Dear Police and Crime Commissioner and Chief Constable

Completion Report for Those Charged With Governance

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Police and Crime Commissioner and the Chief Constable for Norfolk and the Joint Audit Committee (the Authority) with a detailed complete report covering our approach and outcomes of the 2022/23 audit.

Given that Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024” (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year we have taken into account the SI and Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office’s 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. Against this backdrop, we have also considered the Authority’s service expectations.

The Police and Crime Commissioner and Chief Constable, as those charged with governance, have an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Police and Crime Commissioner and Chief Constable and Joint Audit Committee in fulfilling their role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw the Police and Crime Commissioner and Chief Constable and Joint Audit Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix E).

This report is intended solely for the information and use of the Police and Crime Commissioner and Chief Constable and Joint Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Enc

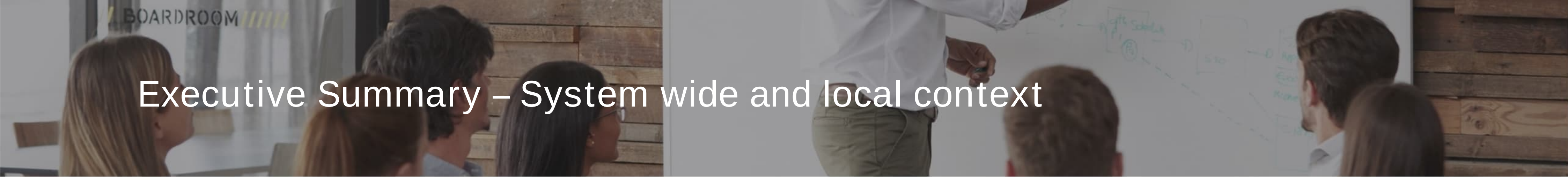
Contents

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA (https://www.psaa.co.UK/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

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

01 Executive Summary



Executive Summary – System wide and local context

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting professions
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ► Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ► Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ► Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Authority's 2022/23 accounts. The proposed disclaimer of the Authority's 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2022/23 financial statements and the form of the audit report.

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Executive Summary – Local context

Local Background and Context

The position at this Authority has developed over recent years resulting in unaudited financial statements for 31 March 2023.

The main reasons for the Authority’s financial statements not being audited and signed to date include:

- The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2022/23 audit year.
- There were also a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets, taking into account the updated pension fund valuations, which led to delays to a number of 2021/22 audit being completed across the local authority sector.
- In addition, at this Authority, there were specific issues in relation to a data breach issue identified in March 2023 which impacted on the 2021/22 financial statements and our value for money assessment, as well as the timetable for the completion of the 2021/22 audit. As a result, the opinion for 2021/22 was not issued until April 2024 and the Authority did publish its draft 2022/23 financial statements and hold the required inspection period until January 2024. These delays meant that we were unable to schedule the 2022/23 audit to meet backstop date of 13 December 2024.

We note that tthe Authority has been in a position to present draft statements of account for audit within the regulatory timeframe in recent years..

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Executive Summary – Report structure and work completed

Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 – Executive Summary – this section setting out the national and local context and the structure of our report.

Section 2 – Work Plan – We have completed the following planning tasks:

- Required independence procedures.
- Set a level of materiality.
- Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,
- Identified significant, inherent and other areas of higher risk or focus.
- Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 3 – Results and findings - Work completed to issue the disclaimer, findings and results:

- Review of the financial statements.
- Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 4 – Value for money reporting

- The value for money report covering the year to 31 March 2023.

Section 5 - Appendices

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02 Work Plan

Work Plan – Audit Scope

Audit scope

This Completion report covers the work that we performed in relation to:

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2023 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 04.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

Given that the SI imposes a backstop date of 13 December 2024, by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

Work Plan - Materiality

Materiality

Planning materiality

£6.75 m

Group materiality for y/e 31 March 2023 has been set at £6.75 million, which represents 2% of 2023 gross expenditure on provision of services.

£2.80 m

PCC materiality for y/e 31 March 2023 has been set at £2.80 million, which represents 2% of 2023 gross assets.

£6.09 m

CC materiality for y/e 31 March 2023 has been set at £6.09 million, which represents 2% of 2023 gross expenditure on provision of services.

Performance materiality

£5.06 m

Group performance materiality for y/e 31 March 2023 has been set at £5.06 million, which represents 75% of planning materiality.

£2.10 m

PCC performance materiality for y/e 31 March 2023 has been set at £2.10 million, which represents 75% of planning materiality.

£4.57 m

CC performance materiality for y/e 31 March 2023 has been set at £4.57 million, which represents 75% of planning materiality.

Audit differences

£0.34 m

£0.14 m

£0.30 m

We will report all uncorrected misstatements for y/e 31 March 2023 relating to the primary statements greater than 0.34 million for Group; £0.14 million for PCC; £0.30 million for CC. Other misstatements identified will be communicated to the extent that they merit the attention of the Joint Audit Committee.

In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the draft 2022/23 financial statements and based on our experience from the 2021/22 audit. We have considered updating this materiality for any key changes or known factors from that year. We determined that our audit procedures would be performed using a materiality levels set out above. This level of materiality remains appropriate for the actual results for the financial year.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year

Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Misstatement due to fraud or error (Group/PCC/CC)	31 March 2023	Fraud risk	No change in risk or focus	The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. As noted below, One area susceptible to manipulation is the capitalisation of revenue expenditure on property, plant and equipment.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure (Group/PCC)	31 March 2023	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of land and buildings within property, plant and equipment (PPE) (Group/PCC)	31 March 2023	Inherent risk	No change in risk or focus	The fair value of land and buildings within property, plant and equipment (PPE) represent significant balances in the PCC and Group accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. The PCC engage an external expert valuer who apply a number of complex assumptions to these assets. Assets are assessed annually to identify whether there is any indication of impairment. As the PCC’s asset base is significant (£106.225 million for year ended 31 March 2023), and the outputs from the valuer are subject to estimation, there is a risk these assets may be under or overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year

Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Valuation of pension liability - Local Government Pension Scheme (LGPS) and Police Pension Scheme (Group/PCC/CC)	31 March 2023	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council. The PCC must also do similar in respect of the Police Pension Scheme. The Group and CC pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets of the PCC and CC. At 31 March 2023 this totalled £1.377.107 million (PY was £2.037.275 million)). The information disclosed is based on the IAS19 report issued to the PCC and CC by the actuary to the Norfolk Pension Fund and also the Police Pension Scheme. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Accounting for private finance initiative (PFI) (Group/PCC)	31 March 2023	Inherent risk	No change in risk or focus	The PCC and CC disclose two PFI contracts within their financial statements for the use of Jubilee House, Operations and Communications Centre (OCC) and the use of six Police Investigation Centres (PIC) shared with the Police and Crime Commissioner for Suffolk. At 31 March 2023, the PFI liability associated with the OCC and PIC were £22.679 million (PY was £23.373 million) and £30.771 million (PY was £31,848 million) respectively. The liability and payments for services are dependent upon assumptions within the accounting models underpinning the PFI scheme. As such Management is required to apply estimation techniques to support the disclosures within the financial statements.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year

Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Accounting for data breach issue (Group/PCC/CC)	31 March 2023	Inherent risk	New inherent risk	During the 2021/22 audit, management reported two incidents of data breaches that were discovered within the financial year 2022/23. These breaches were related to the handling of personal data in response to Freedom of Information (FOI) requests that were provided in 2018 and during the period 2021 and 2022. We assessed the financial impact of the data breach issues on the 2021/22 financial statements, against IAS37, *Provisions , Contingent Liabilities and Contingent Assets*, to assess the completeness and accuracy of the financial liability. We identified a judgemental uncorrected audit difference of £0.311 million related to the short-tern provisions for compensations claims resulting from the data breach. In addition, we identified an uncorrected disclosure difference relating to contingent liabilities, due to a potential fine from the Information Commissioner’s Office (ICO) as a result of the data breach. The ICO’s work is still on-going and therefore the Authority may be subject to a financial penalty which needs to be reflected in the accounts. Considering the nature and extent of the error found, we have identified a higher inherent risk that the accounting for the data breach issue may not align with the accounting standards and the CIPFA Code requirements.
Leases (Group/PCC)	31 March 2023	Inherent risk	New inherent risk	The Group and the PCC have a number of leasing arrangements. Work undertaken in the 2021/22 audit identified that Norfolk PCC was the lessee for two operating leases for fire stations. It was identified that there were no formal signed lease agreements in place for these leases held by Norfolk PCC as lessee. Given the nature and extent of the error found, we have identified this as a higher inherent risk as the lease accounting may not be fully compliant with the accounting standards and the CIPFA Code requirements.

Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Work Plan - Independence

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence o Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary, agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, we can confirm there were no non audit fees for the 2022/23 reporting year, so the current ratio of non-audit fees to audit fees is approximately nil:1. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

03 Results and findings

Results and findings

Status of the audit

Our audit work in respect of the Authority opinion is [substantially complete]. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Completion of subsequent events procedures;
- Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion a current draft of which is included in this report

Value for Money

Our value for money (VFM) work is complete and reported in Section 04 of this report. We identified a risk of significant weakness in respect of governance. Having updated and completed the planned procedures in these areas we did identify a significant weakness. See Section 04 of the report for further details.

Audit differences

We did not identify any differences from our work.

Other Reporting Issues

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

The Comptroller and Auditor General has confirmed that he plans to issue his opinion and certificate on the 2022-23 Whole of Government Accounts on 22 November 2024. Given we expect to issue our 2022/23 audit report after that date but before the statutory backstop of 13 December 2024, we therefore expect to be able to certify completion of the audit as part of our final 2022/23 audit report.

We did not receive any questions or objections to the Authority's financial statements from any member of the public following the inspection period.

During the course of the audit, we became aware of instances of non-compliance with laws and regulations in relation to the data breach referred to in Section 04 of this report. This has required us to completed extended procedures to assess the risk to the financial statements, having completed these procedures we are satisfied that they do not lead to a material impact on the financial statements.

Other powers and duties

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

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

Results and findings

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Norfolk Police. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Police and Crime Commissioner and Chief Constable for Norfolk Police and Joint Audit Committee.

Control observations

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

Independence

Further to our review of independence in Section 02 of this report we have not identified any issues to bring to your attention..

Results and findings

Other matters

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

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

We have no other matters to report.

Results and findings – Draft Audit Report

Draft audit report - CHIEF CONSTABLE OF NORFOLK

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHIEF CONSTABLE OF NORFOLK

Disclaimer of opinion

We were engaged to audit the financial statements of the Chief Constable of Norfolk for the year ended 31 March 2023. The financial statements comprise the:

- Chief Constable of Norfolk Comprehensive Income and Expenditure Statement,
- Chief Constable of Norfolk Balance Sheet,
- Chief Constable of Norfolk Movement in Reserves Statement,
- Chief Constable of Norfolk Cash Flow Statement,
- the related notes 1 to 17, including a summary of significant accounting policies and including the Expenditure and Funding Analysis; and
- The Chief Constable of Norfolk Police Pension Fund Accounting Statements

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Chief Constable of Norfolk. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We complete the audit of the 2021/22 financial statements in April 2024 and issued our audit opinion on 17 April 2024.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Results and findings – Draft Audit Report

Draft audit report - CHIEF CONSTABLE OF NORFOLK

Our draft opinion on the financial statements

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Chief Constable of Norfolk.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- We report to you, if we are not satisfied that the Chief Constable of Norfolk has made proper arrangements for securing economy, efficiency, and effectiveness in the use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in January 2023, we have identified the following significant weakness in the Chief Constable of Norfolk's arrangements for the year ended 31 March 2023.

Results and findings – Draft Audit Report

Draft audit report - CHIEF CONSTABLE OF NORFOLK

Our draft opinion on the financial statements

Significant weakness in arrangements

During 2022/23, the Chief Constable identified two incidents of breaches in data protection. These breaches were related to the handling of personal data in responses to Freedom of Information (FOI) requests that were provided in 2018 and during 2021 and 2022. The Chief Constable reported the incidents to Information Commissioner's Office (ICO) in November 2022 and January 2023 respectively.

Following the incidents, management instigated procedures to identify and notify all data subjects and undertook immediate actions and changes to the controls and procedures in handling FOI requests. In September 2023, the Chief Constable conducted an internal investigation to establish circumstances leading to the data breaches and to identify any learning as well as making recommendations to prevent further breaches. The internal investigation established that weaknesses in internal controls and inadequacies in the data protection procedures contributed to the data breaches.

Whilst management responded appropriately and timely in notifying the ICO and instigating an investigation, there were delays in notifying both internal and external audit, and those charged with governance of the matter.

In forming our assessment, we have considered and reviewed:

• The internal investigation report and the immediate mitigation report issued by the Chief Constable,

• Correspondence between the Chief Constable and ICO, and

• Management's assessment of the financial reporting implications of the data breaches.

Inadequate controls over FOI requests and data protection exposes the Chief Constable to breaches of legislation, as well as potentially significant losses and reputational damage.

The Chief Constable has taken action to remedy the situation and has disclosed a contingent liability in its 2022/23 financial statements in relation to the potential fine.

Noting that the implementation of these measures is currently in progress, we recommend the Chief Constable:

• Implement the recommendations from the internal investigation report to address the weaknesses in internal controls and inadequacies in the data protection procedures as a priority.

• Put arrangements in place to ensure that any suspected non-compliance of regulations from any department are reported to internal and external audit as soon as they are identified.

• Address any suspected non-compliance with regulations in a timely manner by reporting any such concerns to a suitable Committee of the Chief Constable, ensuring action plans to address any non-compliance are progressed in a timely manner.

This issue is evidence of weaknesses in proper arrangements for governance, including how the body ensures it makes informed decisions and properly managements its risk, particularly:

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

• how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

Results and findings – Draft Audit Report

Draft audit report - CHIEF CONSTABLE OF NORFOLK

Our draft opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities for the Statement of Accounts set out on page 1, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Chief Constable's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Results and findings – Draft Audit Report

Draft audit report - CHIEF CONSTABLE OF NORFOLK

Our draft opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether the Chief Constable of Norfolk had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable of Norfolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Norfolk in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Debbie Hanson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Luton

December 2024

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated xx December 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

Results and findings – Draft Audit Report

Draft audit report - THE POLICE AND CRIME COMMISSIONER FOR NORFOLK

Our draft opinion on the financial statements

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE POLICE AND CRIME COMMISSIONER FOR NORFOLK

Disclaimer of opinion

We were engaged to audit the financial statements of the Police and Crime Commissioner for Norfolk and Group for the year ended 31 March 2023. The financial statements comprise the:

- Police and Crime Commissioner for Norfolk and Group Comprehensive Income and Expenditure Statement,
- Police and Crime Commissioner for Norfolk and Group Balance Sheet,
- Police and Crime Commissioner for Norfolk and Group Movement in Reserves Statement,
- Police and Crime Commissioner for Norfolk and Group Cash Flow Statement
- the related notes 1 to 32, including a summary of significant accounting policies and including the Expenditure and Funding Analysis; and
- Police Pension Fund Accounting Statements

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Police and Crime Commissioner for Norfolk and Group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We complete the audit of the 2021/22 financial statements in April 2024 and issued our audit opinion on 17 April 2024.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Results and findings – Draft Audit Report

Draft audit report - THE POLICE AND CRIME COMMISSIONER FOR NORFOLK

Our draft opinion on the financial statements

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Police and Crime Commissioner for Norfolk and Group.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- We report to you, if we are not satisfied that the Police and Crime Commissioner and Group has made proper arrangements for securing economy, efficiency, and effectiveness in the use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in January 2023, we have identified the following significant weakness in the Police and Crime Commissioner and Group's arrangements for the year ended 31 March 2023.

Significant weakness in arrangements

During 2022/23, the Police and Crime Commissioner identified two incidents of breaches in data protection. These breaches were related to the handling of personal data in responses to Freedom of Information (FOI) requests that were provided in 2018 and during 2021 and 2022. The Police and Crime Commissioner reported the incidents to Information Commissioner's Office (ICO) in November 2022 and January 2023 respectively.

Following the incidents, management instigated procedures to identify and notify all data subjects and undertook immediate actions and changes to the controls and procedures in handling FOI requests. In September 2023, the Police and Crime Commissioner conducted an internal investigation to establish circumstances leading to the data breaches and to identify any learning as well as making recommendations to prevent further breaches. The internal investigation established that weaknesses in internal controls and inadequacies in the data protection procedures contributed to the data breaches.

Results and findings – Draft Audit Report

Draft audit report - THE POLICE AND CRIME COMMISSIONER FOR NORFOLK

Our draft opinion on the financial statements

Whilst management responded appropriately and timely in notifying the ICO and instigating an investigation, there were delays in notifying both internal and external audit, and those charged with governance of the matter.

In forming our assessment, we have considered and reviewed:

• The internal investigation report and the immediate mitigation report issued by the Police and Crime Commissioner,

• Correspondence between the Police and Crime Commissioner and ICO, and

• Management's assessment of the financial reporting implications of the data breaches.

Inadequate controls over FOI requests and data protection exposes the Police and Crime Commissioner to breaches of legislation, as well as potentially significant losses and reputational damage.

The Police and Crime Commissioner has taken action to remedy the situation and has disclosed a contingent liability in its 2022/23 financial statements in relation to the potential fine.

Noting that the implementation of these measures is currently in progress, we recommend the Police and Crime Commissioner:

• Implement the recommendations from the internal investigation report to address the weaknesses in internal controls and inadequacies in the data protection procedures as a priority.

• Put arrangements in place to ensure that any suspected non-compliance of regulations from any department are reported to internal and external audit as soon as they are identified.

• Address any suspected non-compliance with regulations in a timely manner by reporting any such concerns to a suitable Committee of the Police and Crime Commissioner, ensuring action plans to address any non-compliance are progressed in a timely manner.

This issue is evidence of weaknesses in proper arrangements for governance, including how the body ensures it makes informed decisions and properly managements its risk, particularly:

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

• how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

Results and findings – Draft Audit Report

Draft audit report - THE POLICE AND CRIME COMMISSIONER FOR NORFOLK

Our draft opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities for the Statement of Accounts set out on page 1, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Police and Crime Commissioner and Group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Police and Crime Commissioner and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Results and findings – Draft Audit Report

Draft audit report - THE POLICE AND CRIME COMMISSIONER FOR NORFOLK

Our draft opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether the Police and Crime Commissioner for Norfolk and Group had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Norfolk and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

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

Debbie Hanson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Luton

December 2024

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated xx December 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

04 Value for Money

VFM - Executive Summary

Purpose

Auditors are required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a ‘conclusion’ or ‘opinion’, but where significant weaknesses are identified we will report by exception in the auditor’s opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor’s Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The 2024 Code has reduced the scope of the VFM reporting up to and including the 2022/23 financial year. However, in the February 2024 consultation on the new Code, the NAO stated that where auditors have begun or already undertaken work that no longer falls under the reduced scope, they may still report on it in accordance with paragraph 13 of Schedule 3 of the 2024 Code. EY are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

Risks of significant weakness

In undertaking our procedures to understand the body’s arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of committee reports;
- meetings with the Police and Crime Commissioner and Chief Constable, Chief Finance Officers, Service Director, Finance and Regional Services and the Chair of the Joint Audit Committee;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with management and the finance team.

We completed our risk assessment procedures and identified a risk of significant weakness in the Authority's arrangements.

Having completed our procedures to address this risk we concluded that there was a significant weakness in arrangements. As a result, we have matters to report by exception in our audit report.

VFM - Executive Summary (continued)

Reporting

We presented our Interim Value for Money Report for 2022/23 to the Joint Audit Committee on 23 July 2024.

The detailed arrangements and processes underpinning the reporting criteria were reported in our 2021/22 Auditor's Annual Report and have been updated for 2022/23. These updates were reported in our Interim Value for Money Report and are not repeated in this report.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Authority ensures that it makes informed decisions and properly manages its risks	During the prior year 2021/22 audit, we identified a risk of significant weakness which also impacted 2022/23. This is in relation to a data breach within responses to Freedom of Information (FOI) requests.	We identified a significant weakness in the governance arrangement where there were inadequate internal controls to prevent the data breach and the non-compliance with laws and regulations in relation to the data breach.
Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

Value for Money Commentary

Financial Sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

During 2022/23, the Authority continued to manage the impact on finances from a number of issues such as demand led pressures, general inflation, pay increases and uncertainties in relation to the amount of funding to be received in the future.

The year-end financial outturn report for 2022/23 showed a group revenue budget overspend of £0.241 million and the delivery of planned savings of £2.330 million.

During the year, the Authority have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through regular budget monitoring reports taken to the Accountability and Performance Panel. The Authority recognises the financial challenges ahead.

The Authority set a balanced budget in 2023/24, with a planned use of reserves of £2.795 million. Since the Medium Term Financial Plan (MTFP) was approved in February 2023, inflation has continued to rise and impact costs over the year which is being closely monitored and managed by the Constabulary.

The following three years have a planned balanced budget (2024/25 to 2027/28). However, to deliver balanced budgets in the medium term, the Authority has planned use of reserves and also needs to both identify and achieve planned savings. We note that the Authority has built up reserves during recent years which are now being utilised and also has a proven track record of delivering efficiency savings.

The budget estimates have been produced on a prudent basis, with an emphasis on identifying the existing cost pressures the Authority faces and a realistic level of savings and efficiencies. The budget has been constructed so that all known costs are budgeted for, and income budgets are based on realistic projections. The budget is therefore constructed on a prudent basis, and we are satisfied with the robustness of the estimates.

The Authority had a total of £4.840 million in the general fund and £16.862 million in earmarked reserves as at 31st March 2023. We note there is a planned transfer in the 2023/24 budget to increase the general fund balance to £4.990 million. This provides useable resources if any potential unfavourable variances arise, or future savings are not identified or not fully achieved. This would enable the Authority to continue to deliver services in the medium term if such a scenario arose.

The Authority should however continue its scenario assessment of the savings requirement and continue to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

The Authority has continued to manage governance considerations including joint working and collaboration with other Local Authorities, including Norfolk Police.

The Authority approved the 2022/23 Medium Term Financial Plan in February 2022, with further regular tracking and financial monitoring updates during the 2022/23 financial year. The reports are taken to the Police and Crime Panel for approval, which ensures that all Members are kept well informed of the process and financial performance of the Authority.

The Authority's Annual Governance Statement sets out the core governance arrangements for the year. This demonstrates how the Authority's code of governance arrangements reflect the principles of good governance. The Head of Internal Audit concluded that for the 2022/23 financial year, reasonable assurance may be awarded over the framework of governance, risk management and controls at the Authority.

The risk registers and risk management policy were also kept up to date in 2022/23. The risk registers focus on financial, operational and strategic risks. Risks on the registers are regularly monitored through the governance arrangements in place, in line with the risk management policy. The Strategic Risk Register is reviewed by the Joint Audit Committee on a quarterly basis, The Office of the Police and Crime Commissioner (OPCC) also produce their own Strategic Risk Register which is reviewed through the OPCC meeting structure, including Strategic Governance Board and Estates Governance Board.

The Authority has not been subject to a PEEL inspection during 2022/23, with the latest report published in October 2022. The 2022 inspection judged that Norfolk Constabulary is:

- Outstanding in its use of resources
- Good at preventing crime, managing offenders and developing a positive workplace
- Adequate at investigating crime, responding to the public and protecting vulnerable people
- Requires improvement in its treatment of the public.

The Constabulary responded to the findings positively with its response published on 14 October 2022. The PEEL report was also presented to the PCC Accountability Meeting in October 2022 with further actions agreed in the following meeting in January 2023.

As part of our final reporting in our Auditor's Annual Report, we will follow up on the progress in implementing these action plans.

Value for Money Commentary (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks (continued)

Significant weakness identified

We confirmed that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger and were prepared in line with the content required by the CIPFA Code. The Authority has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

However, the Authority did not meet the requirements of the Accounts and Audit (England) Regulations 2015, as a complete set of financial statements with an appropriate inspection period were not published by the deadline of 31 May 2023. This was due to the ongoing data breach identified in 2021/22 which was both sensitive and not in the public domain at the time. The investigation had not been fully completed at the date the draft accounts were required to be published and therefore the full extent of the issue and actions required were not known. Authority management deemed it was not appropriate to publish the 2022/23 draft accounts, until they were satisfied that they showed a true and fair view of the Authority's position.

We note that the Authority published a notice that the audit of the 2022/23 accounts had not been completed and the reasons for this by the deadline of 30 September 2023, as required. The draft accounts were subsequently published on 29 December 2023, but our review of the Authority website has not been able to confirm whether a notice confirming the inspection period for the 2022/23 accounts was issued.

The Authority has a track record of publishing their financial statements on time (including in prior year 2021/22). We also confirmed that the financial statements were largely completed and prepared following the usual financial year closedown and accounts preparation timeline for 2022/23 but were not published for the reasons noted above. Therefore, we are satisfied this is an isolated issue impacting the timely publishing of the financial statements for 2022/23 and does not represent a significant VFM weakness.

Value for Money Commentary (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks (continued)

Significant weakness identified

Significant weakness key findings:

During 2022/23, the Norfolk PCC/CC identified an incident of breaches in data protection. These breaches were related to the handling of personal data in responses to Freedom of Information (FOI) requests that were provided during the period of 2021 and 2022. The Norfolk PCC/CC reported the incident to Information Commissioner's Office (ICO) in January 2023.

The data breach incident was discovered in January 2023, concerning FOI requests which were made by journalists or researchers, relating to various crime statistics between January 2015 and April 2022. This data breach incident involved more data complexity due to a static version of the raw data being linked to a database using SQL (Structure Query Language) in the document which was then used for the FOI response.
Following the incident, Management instigated procedures to identify and notify all data subjects and undertook immediate actions and changes to the controls and procedures in handling FOI requests.

Whilst Management responded appropriately and notified the ICO in a timely manner and were prompt at instigating an investigation, there were delays in notifying both Internal and External audit. The delay was due to the sensitivities around the data breaches and the immediate public protection and safeguarding actions that were required of Norfolk Constabulary.

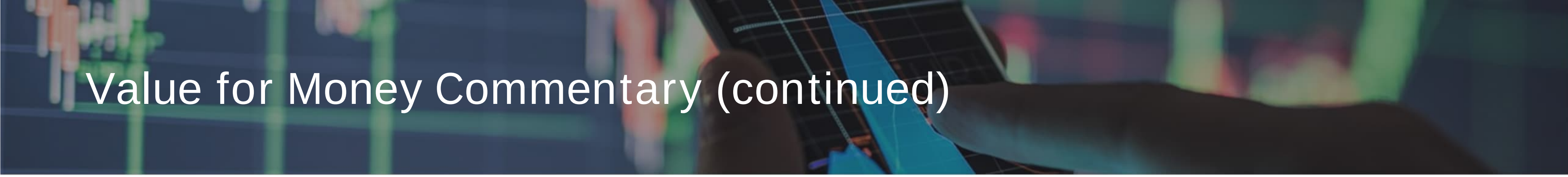
In September 2023, the Norfolk PCC/CC conducted an internal investigation to establish circumstances leading to the data breaches and to identify any learning as well as making recommendations to prevent further breaches. The internal investigation established that there have been weaknesses in internal controls and inadequacies in the data protection procedures that have contributed to the data breaches.

The Norfolk PCC/CC has taken actions to remedy the situation and has disclosed an event after the reporting period in its 2021/22 financial statements. The Norfolk PCC/CC has also disclosed a contingent liability in its 2022/23 financial statements in relation to this issue.

Inadequate controls over FOI requests and data protection exposes the Norfolk PCC/CC to breaches of legislation, as well as potentially significant losses and reputational damage.

We therefore concluded that there was significant weakness in the Norfolk PCC/CC's governance arrangements, in particular related to:

- A lack of adequate controls and monitoring procedures to ensure compliance with laws and regulations, specifically in relation to data protection.
- A lack of adequate internal controls to ensure the process and procedures for handling FOI requests are appropriate and effective in safeguarding personal data.



Value for Money Commentary (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks (continued)

Significant weakness identified

Recommendation:

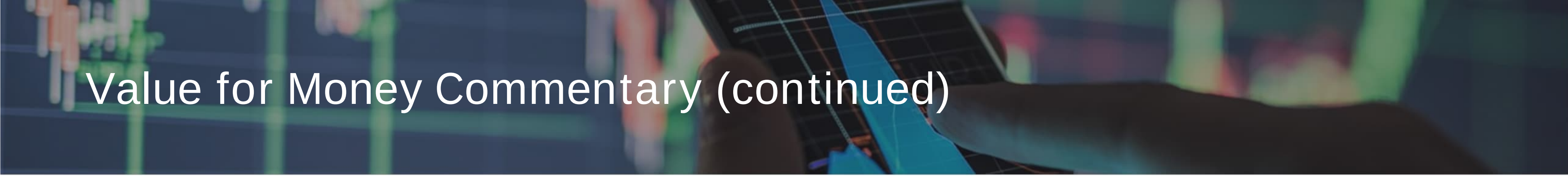
Our work has identified a significant weakness in the arrangements of Norfolk PCC/CC for governance, in relation to a data breach within responses to Freedom of Information (FOI) requests. The inadequate controls over FOI requests and data protection exposes the Norfolk PCC/CC to breaches of legislation, as well as potentially significant losses and reputational damage.

<u>We recommend that the Norfolk PCC/CC:</u>

- Implement the recommendations from the internal investigation report to address the weaknesses in internal controls and inadequacies in the data protection procedures as a priority.
- Put arrangements in place to ensure that any suspected non-compliance of regulations from any department are reported to Internal and External Audit as soon as they are identified.
- Address any suspected non-compliance with regulations in a timely manner by reporting any such concerns to a suitable Committee of the PCC/CC, ensuring action plans to address any non-compliance are progressed in a timely manner.

<u>Follow up on progress since 2021/22 reporting:</u>

Given that the 2021/22 Auditor's Annual Report was issued in May 2024, there has not been a significant amount of time passed to provide a meaningful progress update. This will be revisited in our subsequent reporting within our 2022/23 Final VFM Report and/or the 2023/24 Auditors Annual Report.



Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Constabulary has an array of performance metrics, including organisational goals for the next 12 months, across all aspects of its operations against the key priorities that are set out in the Police and Crime Plan 2022-24.

The Authority also prepares the Medium-Term Financial Plan (2022/23-2025/26) over a 4-year period.

This Police and Crime Plan sets the direction for policing in Norfolk for the coming years; it is a bespoke strategic plan for the County, tailored to the needs of Norfolk and the communities served by the Constabulary. The planned objectives are matched with a planned activity to deliver the Police and Crime Plan.

Performances are reported to the PCC in the bi-monthly PCC Accountability Meetings (PAM). Where performance is below plan, this is followed up on to seek the required improvements. Depending on the performance area, the PCC will have oversight of the actions being identified and taken to address the areas identified for improvement.

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

The Authority has a procurement strategy to ensure services and goods are procured in line with relevant legislation, professional standards and internal policies. Contract management arrangements monitor the delivery of services and goods.

There are service level agreements for joint and collaboration working arrangements, and formal protocols for entering new arrangements.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

05 Appendices

Appendix A – Management representation letter

Management representation letter DRAFT

Management Rep Letter

[To be prepared on the entity's letterhead] *[Date]*

Ernst & Young

This letter of representations is provided connection with your audit of the Authority financial statements of Norfolk Police ("the authority") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the authority financial position of Norfolk Police as of 31 March 2023 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)**.**

We understand that the purpose of your audit of our Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)].
2. We acknowledge, as members of management of the authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the authority financial statements are appropriately described in the authority financial statements**.**

Appendix A – Management representation letter

Management representation letter DRAFT

Management Rep Letter

5. As members of management of the authority, we believe that the authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022),for the Authority that are free from material misstatement, whether due to fraud or error.
6. We confirm the authority does not have securities (debt or equity) listed on a recognized exchange.
7. We have confirmed to you any changes in service organizations within the authority since the last audited financial year.

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

1. We acknowledge that we are responsible to determine that the authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the Authority financial statements may be materially misstated as a result of fraud.

Appendix A – Management representation letter

Management representation letter - DRAFT

Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

2. All material transactions have been recorded in the accounting records and are reflected in the Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date].*
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end.

These transactions have been appropriately accounted for and disclosed in the Authority financial statements.

4. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022),.
5. We have disclosed to you, and the authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Appendix A – Management representation letter

Management representation letter - DRAFT

Management Rep Letter

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the Authority financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note *[X]* to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note *[X]* to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than the events described in Note *[X]* to the Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the authority have reflected these in the consolidated and parent financial statements.

Yours faithfully,

____

(Chief Financial Officer/Finance Director)

____

(Police and Crime Commissioner and Chief Constable)

Appendix B – Fees

the duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Authority; and
- The Authority has an effective control environment
- The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.UK/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	Current Year 2022/23	Prior Year 2021/22
	£	£
Total Fee – Code Work – PCC	34,295	26,045
Total Fee – Code Word – CC	16,288	11,550
Other – scale fee variation – PCC	TBC	25,558
Other - scale fee variation - CC	TBC	25,958
Total audit	TBC	89.111
Other non-audit services not covered above (Housing benefits)	0	0
Total other non-audit services	0	0
Total fees	TBC	89,111

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23.

As set out in the joint statement PSAA Ltd will use its fee variation process to determine the final fee the Authority has to pay for the 2022/23 audit. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	This Completion report for Those Charged with Governance
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit Committee (cont’d)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	This Completion report for Those Charged with Governance
Misstatements	► Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► Material misstatements corrected by management	This Completion report for Those Charged with Governance
Fraud	► Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ► The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ► Matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ► Any other matters related to fraud, relevant to Audit Committee responsibility	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	This Completion report for Those Charged with Governance
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ► Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	This Completion report for Those Charged with Governance
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	This Completion report for Those Charged with Governance
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	This Completion report for Those Charged with Governance
Group audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	► Key audit matters that we will include in our auditor's report ► Any circumstances identified that affect the form and content of our auditor's report	This Completion report for Those Charged with Governance

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that… so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations …"

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

The International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and

Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter	Implication
▸ Suspected or known fraud or bribery	▸ Potential fraud/breach of anti-bribery legislation
▸ Health and Safety incident	▸ Potential breach of section 2 of the Health and Safety at Work Act 1974
▸ Payment of an unlawful dividend	▸ Potential breach of Companies Act 2006
▸ Loss of personal data	▸ Potential GDPR breach
▸ Allegation of discrimination in dismissal	▸ Potential non-compliance with employment laws
▸ HMRC or other regulatory investigation	▸ Suspicion of non-compliance with laws/regulations
▸ Deliberate journal mis-posting or allegations of financial impropriety	▸ Potential fraud / breach of Companies Act 2006
▸ Transacting business with sanctioned individuals	▸ Potential breach of sanctions regulations

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont’d)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years

Management response:

- Timely communication of the matter to auditors (within a couple of days)
- Determine who will carry out any investigation into the matter – in-house or external specialists or mix of both
- Scope the investigation, in discussion with the auditors
- Evaluate findings and agree next steps
- Determine effect on financial statements including disclosures
- Prepare a paper, summarising the outcome of the investigation and management’s conclusions
- Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- Communicate with us as your auditors on a timely basis – do not wait for scheduled audit catch-ups
- Engage external specialists where needed
- Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- Plan upfront and consider any impact on overall accounts preparation and audit timeline – discuss the implications with us as your auditor

Audit response:

- Initial assessment of the NOCLAR matter and its potential impact
- Initial consultation with risk team to determine responsive procedures and the involvement of specialists
- Understand and agree scope of management’s investigation with support from specialists as needed
- Evaluate findings and undertake appropriate audit procedures
- Determine audit related impact including accounting and disclosure and audit opinion implications
- Document and consult on the outcome of our procedures
- Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

Appendix E – VFM – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report, 2022/23.

All recommendations have been agreed by management.

As noted in this report, our vfm work has identified a significant weakness in the arrangements of Norfolk PCC/CC for governance, in relation to a data breach within responses to Freedom of Information (FOI) requests. The inadequate controls over FOI requests and data protection exposes the Norfolk PCC/CC to breaches of legislation, as well as potentially significant losses and reputational damage.

We recommend that the Norfolk PCC/CC:

Implement the recommendations from the internal investigation report to address the weaknesses in internal controls and inadequacies in the data protection procedures as a priority.

Put arrangements in place to ensure that any suspected non-compliance of regulations from any department are reported to Internal and External Audit as soon as they are identified.

Address any suspected non-compliance with regulations in a timely manner by reporting any such concerns to a suitable Committee of the PCC/CC, ensuring action plans to address any non-compliance are progressed in a timely manner.

Follow up on progress since 2021/22 reporting:

Given that the 2021/22 Auditor's Annual Report was issued in May 2024, there has not been a significant amount of time passed to provide a meaningful progress update. This will be revisited as part of our 2023/24 audit work and subsequent reporting

Appendix F – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

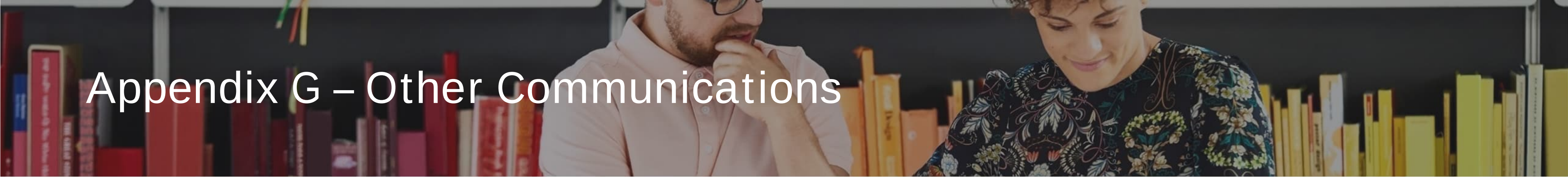
Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.



Appendix G – Other Communications

EY Transparency Report 2023

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 28 June 2024 and can be found here: EY UK 2024 Transparency Report.

UKC-024050 (UK) 07/22. Creative UK.

ED None

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

Summary Internal Controls Assurance (SICA) Report

December 2024

Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Office of the Police and Crime Commissioner for Norfolk and Chief Constable of Norfolk Constabulary at the 2nd December 2024.

New Internal Audit Code of Practice (Global Internal Audit Standards)

2. The new Internal Audit Code of Practice, which sets out fundamental principles for running a strong and effective internal audit function. For the first time, it presents a unified Code that encompasses the financial services, private, and third sectors.

The Code reflects the final recommendations of the Independent Internal Audit Code of Practice Review Committee and has received full endorsement by the Chartered IIA's Council. The Global Standards urge boards and Audit Committees across the financial, private and third sectors to adopt and implement the Code's principles, embarking on their path to full compliance. Embracing these principles will maximise the value of internal audit and unlock the full potential of the profession.

The purpose of the Code

The principles which follow are aimed at enhancing the overall impact and effectiveness of internal audit within organisations operating in the UK and Ireland. They are regarded as a benchmark of good practice against which organisations should assess their internal audit function.

Who is it for?

The intended audience for the Code of Practice (the 'Code') includes members of board audit and risk committees, chief audit executives, non-executive directors, senior management, and, where appropriate, regulatory bodies. The Code is intended to be applied by all organisations in the financial services, private and third sectors with an internal audit function and a board audit committee of independent non-executive directors or their equivalent. This Code may prove useful for internal audit in the public sector, but it is not drafted with the public sector specifically in mind. Public sector internal audit functions should continue to follow the Public Sector Internal Audit Standards.

How should it be applied?

The Code should be applied in conjunction with the International Professional Practices Framework and the Global Internal Audit Standards. The Code builds on these Standards and seeks to increase the impact and effectiveness of internal audit. The Code is principles-based. It is expected that the principles are applied proportionately, in line with the nature, scope and complexity of the organisation. Internal audit functions should apply the Code in the context of internal audit regulatory standards applicable to the organisation.

See Appendix E for further information and available resources.

Audits completed since the last SICA report to the Audit Committee

3. The table below sets out details of audits finalised since the previous meeting of the Audit Committee in September.

Audits completed since previous SICA report

		Key Dates			Number of Recommendations			
Review	**Evaluation**	**Draft issued**	**Responses Received**	**Final issued**	**1**	**2**	**3**	**OEM**
Corporate and HR Policies	Substantial	28/10/24	02/12/24	02/12/24	-	-	1	-
Risk Management	Reasonable	01/10/24	29/11/24	02/12/24	-	1	2	1

4. The Executive Summaries for each of the finalised reviews are included at Appendix A..

Reports that are currently at draft report stage and awaiting management comments to finalise

5. The table below sets out the reports that are at draft report stage that are awaiting management comments to finalise.

Audits currently at draft report stage

Review	Evaluation	Draft issued	Draft management comments provided	Comments
Limited Duties	Limited	27/09/24	07/11/24	Initial management comments have been provided, but they have not been provided for all recommendations.
Commissioning	Substantial	16/10/24		Awaiting management comments to finalise
Vetting	Reasonable	02/12/24		Draft issued 2nd December

Progress against the 2024/2025 Annual Plan

6. Our progress against the Annual Plan for 2024/25 is set out in Appendix B.

Changes to the Annual Plan 2024/25

7. There have been no changes to the 2024/25 internal audit plan.

Progress in actioning priority 1 & 2 recommendations

8. The recommendation trackers are provided for the Committee, shown in Appendix C which shows the status of outstanding recommendations.

Frauds/Irregularities

9. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Other Matters

10. We have issued a number of briefing notes and fraud digests, shown in Appendix D, since the previous SICA report.

Responsibility/Disclaimer

11. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Appendix A: Executive Summaries

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Audit Committee on request. Where a review has a ‘Limited’ or ‘No’ Assurance assessment the full report has been presented to the Audit Committee and therefore is not included in this Appendix.

Review	Assurance Level
Corporate and HR Policies	Substantial
Risk Management	Reasonable

Executive Summary – Corporate and HR Policies

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

NSR8 Failure to maintain an efficient and effective policing services because of poor data quality, management and non-compliance with standards.

SR2 Failure to promote inclusion and diversity, communicate and engage well, build trust and confidence.

SCOPE

The objective of the audit was to review the systems and controls in place for management of policies. The audit incorporated policies for Norfolk and Suffolk Constabularies. The audit did not cover the Office of the Police and Crime Commissioners.

KEY STRATEGIC FINDINGS

Arrangements are in place for legal services to review Norfolk and Joint policies, but Suffolk policies are not as a standard reviewed by legal services.

An escalation process has been implemented to ensure that the review process of creating/updating a policy is a streamline process.

Responsibility for production and review of policies has been assigned to a Policy Owner who is responsible for managing, reviewing and applying the relevant policy and/or procedures.

The number of overdue policies has decreased considerably from the previous audit. There is only 4% of overdue policies, all of these were being followed up by the policies team.

GOOD PRACTICE IDENTIFIED

There is an in-depth consultation process in place as a part of the review process for policies. The Policy and Assurance Officer are responsible for organising the consultation for all non-HR policies and associated procedures.

A designated process is followed for the review and consultation of HR policies, this is led by the HR officer that is responsible for overseeing developing and reviewing HR policies.

ACTION POINTS

Urgent	Important	Routine	Operational
0	**0**	**1**	**0**

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	All joint and Norfolk policies are subject to review by the Norfolk legal services. The majority of policies are joint policies. A significant extent of work has been undertaken to create joint policies, to streamline processes. Suffolk only policies are not subject to legal review.	Confirmation be obtained that Suffolk only policies could be subject to legal review if required.	3	*Chief Officers are sighted on the current practice that Suffolk polices can be subject to a legal review, if required.*	*Complete*	N/A

Executive Summary – Risk Management

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

All risks within the Constabulary's Strategic Risk Registers.

KEY STRATEGIC FINDINGS

Both Norfolk and Suffolk Constabularies' governance structure are being reviewed currently following the cessation of the Organisational Board, which reviewed risks with constabulary functions. The Risk Management Policy and Procedure will need to be amended to accommodate these changes.

Governance arrangements are in place to scrutinise and receive assurance on the effectiveness of risk management within their operational areas. A recommendation has been made however to review the Suffolk Audit Committee Terms of Reference.

There are currently no key performance indicators (KPIs) for reporting the effectiveness of the risk management system. A recommendation has been made to use risks mitigated to reflect and report on KPIs.

The Strategic Risk Register for Norfolk Constabulary is under review so that it links to objectives within the Chief Constable's Mission and Values Statement. This should provide a better basis for identifying strategic risks.

GOOD PRACTICE IDENTIFIED

Quarterly risk management reports are separately presented to Norfolk and Suffolk Chief Officers.

SCOPE

The review covered organisational governance structures and scrutiny processes put in place to ensure effective Risk Management across the organisation, including embedding risk, risk identification and risk mitigation. The audit will review Constabularies approach to risk management only.

ACTION POINTS

Urgent	Important	Routine	Operational
0	**1**	**2**	**1**

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	The Joint Risk Management Policy and the Suffolk Audit Committee's Terms of Reference states that the Committee will consider the risk management arrangements of the Police and Crime Commissioner (PCC) and Chief Constable. A review of the Suffolk Audit Committee's papers for the last three meetings found that risk management arrangements had not been considered by the Committee.	The Risk Management Policy be amended to reflect current practice, or to provide more detail as to how the Suffolk Audit Committee will consider the risk management arrangements in place going forward.	2	*Recommendation accepted, policy to be updated to reflect current practice.* *Priority level not accepted. Please note we consider this to be a routine priority for the Constabulary as it is a straightforward policy update to align with current practice. This is also consistent with Rec 1. We therefore request the priority level is changed. We accept it could be an important issue for the OPCC, but it is not within our remit to direct.*	*31/12/24*	*Risk Manager*
1	Directed	There is a Joint Risk Management Policy and a Risk Management Procedure in place. Both were reviewed and approved in December 2023. The Risk Management Policy and Risk Management Procedure refer to the Organisational Board which is no longer in place. The governance structure is being reviewed to ensure that roles and responsibilities in relation to risk management will be covered by the Joint Chief Officer's Group, supported by the Strategic Planning Meeting.	The Risk Management Policy be amended to reflect current governance structures.	3	*Accepted, policy to be updated to reflect current governance structures.*	*31/12/24*	*Risk Manager*
3	Delivery	A review of the Strategic Risk Registers (SRRs) for both Constabularies shows that they are managing all strategic risks to their tolerated	Risk management reports at both strategic and operational level to provide reflection on the effectiveness of risk management within the	3	*Not accepted. This information (direction of travel, target score and date) is already included in the SRR templates and is reported on via*	*n/a*	*n/a*

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		target apart from business continuity and data risks. Neither of the Constabularies have in place key performance indicators to reflect on the effectiveness of their risk management processes to reduce residual risks to the desired tolerated levels. This could take the form of trend graphics or charts and providing on a six-monthly basis a report with narrative to focus on successful risk management, but also remaining gaps between residual risk and target risk. For example, reports could highlight those significant risks which have been mitigated to tolerable levels, commenting on the controls and actions which assisted in this achievement, significant risks which have not reduced and why and what more is needed to attain target risk scores.	organisation to mitigate risks, using appropriate key performance indicators to form the bases of the reports.		*updates as and when required and viewed at each relevant chief officer meeting. The Norfolk SRR template is currently under review and will be developed further as a result should chief officers direct us to do so.*		

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	A review of both the Norfolk and Suffolk Audit Committee papers confirmed that only the Norfolk Audit Committee receives the SRR as part of its consideration of the framework of assurance and ensuring that it adequately addresses the risks and priorities of the PCC /the Constabulary. It is acknowledged that the Suffolk OPCC receives the SRR and the Risk Manager's quarterly report as part of its Accountability and Performance Panel, but this may still leave a gap in the Suffolk Constabulary's assurance framework in terms of scrutiny.	The Suffolk Constabulary's Senior Responsible Officer for risk management considers raising an assurance gap with the OPCC Commissioners' Audit Committee. This consideration to take into account recommendation number three for inclusion in Committee papers.	We will initiate a discussion with Suffolk SRO for risk management based on these audit findings, but this is ultimately for Suffolk OPCC to consider and agree as it is within their remit, and not the Constabulary's.

Appendix B: Progress against Annual Plan

2023/24 Plan – Reports issued since 1st April 2024

System	Audit Days	Planned Quarter	Current Status	Audit Committee Reporting	Comments
23/24 Out of Court Disposals (OOCDs)	12	3	Final report – issued 25/06/24	July 2024	Private report. Reported July 2024
22/23 Security of Seized Proceeds of Crime (Cash and Assets)	10	2	Final report issued	July 2024	Private report.
23/24 Staff Appraisals	12	2	Final report issued	July 2024	
23/24 Data Quality	12	3	Final report issued	July 2024	
23/24 Procurement Strategy and Compliance	12	3	Final report	September 2024	
22/23 Agile Working	10	2	Final report	September 2024	
22/23 Firearms Licensing	10	3	Final report	September 2024	Private report.
22/23 Resource Management Unit	10	3	Final report	September 2024	
22/23 Succession Planning	10	2	Final report	September 2024	
23/24 Key Financial Controls	16	4	Final report	September 2024	
23/24 New E-recruitment systems	16	2	Final report	September 2024	
22/23 Community Safety Partnership	12	3	Revised draft report issued – 7/10/24	February 2025	Norfolk OPCC only – Private report.
22/23 Vetting	10	4	Draft report issued	February 2025	Issued 2nd December
22/23 Commissioners Grants	10	2	Draft report issued	February 2025	Issued 16th October

2024/25 Plan

System	Audit Days	Planned Quarter	Agreed Start Date	Audit Committee Reporting	Current Status	Comments
23/24 Limited Duties	16	2	25/06/2024	December 2024	Draft report issued 27/09/24	Awaiting management comments to finalise
24/25 Corporate and HR Policies	13	2	27/08/2024	December 2024	Final report issued	
23/24 Risk Management	10	4	30/07/2024	December 2024	Final report issued	
24/25 Recruitment and Induction Training	15	2	01/10/2024	January 2025	Debrief 29/11/2025	Draft issued 02/12/24. Exit meeting booked for the 9th December 2024.
23/24 Culture and Required Behaviour	12	2	25/06/2024	January 2025	Debrief 3/12/2024	
24/25 Fleet Maintenance	16	2	01/10/2024	January 2025	Debrief 5/12/2024	
22/23 ICT Cyber Security Maturity	22	2		January 2025	Fieldwork in progress	Audit days from the 2022/23 have been transferred to the 2023/24 audit so that in-depth 23/24 internal audit can be undertaken. There have been delays in receiving information from the audit leads to complete the audit.
22/23 ICT Strategy combined with ICT Project Management	22	2		January 2025	Fieldwork in progress	Audit in progress. There have been delays in receiving information from the audit leads to complete the audit.
24/25 Workforce Planning	12	2	21/11/2024	March 2025	Fieldwork in progress	
24/25 Payroll	15	2	22/11/2024	March 2025	Fieldwork in progress	
24/25 Contract Business Continuity	16	2	26/11/2024	March 2025	Fieldwork in progress	
24/25 Complaints	12	2	11/12/2024	March 2025	Scheduled	
22/23 Data Protection / Freedom of Information	10	2	07/01/2025	March 2025	Scheduled	Paused due to data breach in 2023/24. Audit recommencing the 7th January 2025.

24/25 Key Financial Controls	25	4	21/01/2025	June 2025	Scheduled	
24/25 Safeguarding	12	2	27/01/2025	June 2025	Scheduled	
24/25 Retention of Staff	15	3	18/02/2025	June 2025	Scheduled	
22/23 Change Management	10	3	10/02/2025	June 2025	Scheduled	Moved to the 2024/25 audit plan at the request of management. A start date has been agreed for the audit. The audit is to be commenced on the 10th February 2025.
24/25 Commissioner and Partnerships	18	4	17/02/2025	June 2025	Scheduled	
23/24 Fleet Management Strategy	12	4	03/03/2025	June 2025	Scheduled	Moved to the 2024/25 audit plan at the request of management, due to the fleet management strategy being completed refreshed. A start date has been agreed for the audit. The audit is to be commenced on the 3rd March 2025.
Audits Paused until plan is further progressed						
24/25 Communications Strategy	12	3			Paused	
24/25 Pensions	12	3			Paused	
24/25 MoPI Compliance	14	3			Paused	
24/25 Body Worn Cameras	14	3			Paused	
24/25 Asset Management	12	3			Paused	
Follow Up	12	All				
Annual Planning	2	All				
Annual Report	2	All				
Audit Management	24	All				

Total b/fwd Days	**130**					
Total 2024/25 Days	**275**					

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued

Appendix C: Recommendations Status as at the 2nd December 2024

Recommendations Summary

Audit	Implemented / No longer relevant since last Audit Committee	Not due	Overdue	Newly added recommendations and recommendations not due	Comments
21/22 Absence Management with Limited Duties	1				
23/24 Business Interest, Secondary Employment & Declaration of Interest			1		
23/24 Sustainability		2	2		
23/24 Data Quality	1	1		1	
23/24 Staff Appraisals	1	1		1	
23/24 Procurement		1			
Total Recommendations	**3**	**5**	**3**	**2**	

Recommendations implemented since the last Audit Committee meeting:

Audit	Recommendation	Priority	Management Comments	Original Due Date	Revised Due Date	Responsible Officer	Progress
Absence Management	A formalised process to be developed which requires individuals to obtain approval to continue with any secondary employment, and the absence management policy to be updated accordingly to reflect this.	2	Agreed, this will be addressed. Guidance will be developed and this will be communicated so that a consistent approach is adopted.	30/09/23		HR Manager	This has been addressed, a formalised process is now in place to ensure that line managers discuss and provide approval to staff undertaking secondary employment. Formal guidance has been issued to Line Managers to ensure that appropriate process is followed.
Data Quality	All staff and officers be reminded of the Data Quality Policy. The Policy and key roles and responsibilities be referenced and communicated within Athena training courses.	3	Communications will be arranged to highlight to staff that it their responsibility to keep abreast of policies and refer them specifically to the need to review the Data Quality Policy.	31/8/24		Records & DQ Manager	This has been implemented, communication has been issued.
Staff appraisals	Further enhancements to be made to the PDR process to ensure that objectives set in the PDRs are being used to support effective 121s.	3	ePDR process to be reviewed to ensure that objectives are discussed and tracked throughout the performance year.	31/08/24		Head of L&D	This has been implemented, additional training has been provided to appropriate personnel.

The following table lists the recommendations that are overdue

Audit	Recommendation	Priority	Management Comments	Original Due Date	Revised Due Date (s)	Responsible Officer	Latest update
Business Interest, Secondary Employment & Declaration of Interest	Review the arrangements for cover in the absence of the Business Interest Administrator, including training for other members of staff within the team and preparing procedure notes/guidance on the key parts of the process.	2	Agreed that resilience is an issue with regards to processing business interests. Plan to upskill PSD Administrator. Detailed process maps will also be devised.	28/02/24	31/12/24	Head of PSD	Structural work within PSD is ongoing. The SIT model is in the process of being changed to support a central data / research hub within PSD. This will provide the resilience required for BI's as it is intended to train one or more members of staff in the administration of BI's to support the role. The BI workflow guides have been creased and stored on the W drive. Requested extension to 31/12/24 due to ongoing work to comply. A revised due date has been requested.
Sustainability	The decision template used for decisions submitted to the Norfolk PCC be at least as robust as the Norfolk PCC template regarding the impact that the decision will have on carbon emissions. The relevant section of the decision submission to oblige the writer to provide a considered evaluation of the impact on the PCC's annual emissions. Without measurable indicators of the impact, e.g. in terms of TCO2e, it will not be possible to accurately track performance against 'budgeted' emissions during the year.	2	We have previously provided the Chief Executive of the Norfolk PCC office with the same wording as the Norfolk PCC to cover the future impact of PCC decisions on carbon reduction and environmental impacts. We will raise the TIAA recommendation with the Norfolk PCC office again, post the PCC May 2024 elections.	01/07/2024	31/12/24	Head of Estates	This has been delayed, work is progressing to address. A revised due date has been requested
Sustainability	Develop KPIs that can be readily calculated from existing data and shared widely among staff; to demonstrate areas where	3	The Sustainability & Environmental Manager has commenced working on the	30/06/2024	31/12/24	Sustainability &	The new annual carbon management performance plan has been produced and is awaiting to be formally approved.

Audit	Recommendation	Priority	Management Comments	Original Due Date	Revised Due Date (s)	Responsible Officer	Latest update
	improvements are being made, and those areas where further intervention is required to keep the annual performance on track. Examples could include: miles travelled, fuel consumed, average mileage, EVs procured, waste recycled, Carbon emissions (TCO2e).		proposed template for the annual carbon reduction performance report. This is planned to report by the end of June 2024. This will include key KPI's relating to carbon reduction and environmental performance & progress, which can then be reviewed and monitored annually.			Environmental Manager	A revised due date has been requested

Appendix D: Briefings on Developments in Governance, Risk and Control

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control, Counter Fraud and Security Management which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those briefings issued in the last three months which may be of relevance to Office of the Police and Crime Commissioner for Norfolk and Chief Constable of Norfolk Constabulary is given below:

Summary of recent Client Briefings and Alerts

Subject	TIAA Comments
The Economic Crime and Corporate Transparency Act 2023	**Action Required** Audit Committees and Boards to note the key points and requirements of the Act, and obtain assurance from Executives about the organisation's arrangements to prevent fraud in preparation for the Act.
Authorised Push Payment Scams	**Action Required** For information only to Audit Committees and Boards.
Global IT Outage highlights need for robust IT Disaster Recovery and Business Continuity	**Action Required** Management and Boards are recommended to seek independent assurance that the current IT Disaster Recovery planning and Business Continuity Plans are robust and fit for purpose.

Appendix E: Updates to Global Internal Audit Standards

In January 2024, the Institute of Internal Auditors released the long-awaited changes to the industry's Standards that will have far-reaching impact on the year(s) ahead.

The standards will be adopted by 9th January 2025.

There are some significant changes that will provide internal audit functions with a refreshed framework and clearer requirements.

Key Innovations and Enhancements

Among the significant new requirements include:

- Establishment of an internal audit strategy.
- Heightened governance and oversight by the board and senior management.
- Enhanced reporting including ratings/rankings considerations.
- External quality assessments to be conducted by a team that includes at least one CIA.
- Technology considerations for the internal audit function's evolving needs.

Elevating the mandate and stature of Internal Audit

- Defining IA's purpose – business stakeholders should understand and be able to articulate the value of internal auditing and the mandate must be included in the internal audit charter.
- Separating independence and objectivity – Clear definitions
- Enhancing stakeholder coordination
- Building trust – Developing an approach to building relationships with key stakeholders and promote effective communication across all stakeholder groups

Maximising use of Technology

- Enabling technology as a key resource
- Using technology in audit operations – including audit planning, human and technology resource allocation
- Technology use in audit delivery – using technology to test more effectively and efficiently, for example using applications to test full populations instead of a sample (Increased costs)

Delivering more valuable results

- Promoting continuous improvement – responsible for measuring the performance of the IA function and ensuring it continuously improves
- Enhancing and elevating engagement level – A formal requirement of engagement reporting, including rating or ranking of audit findings, formulating recommendations, obtaining management's action plans and developing an engagement conclusion
- Performing external quality assessments (EQAs) – The board of directors must review EQA results, and the assessment team must include at least one individual with an active certified internal auditor (CIA) designation

Structure of standards into 5 domains containing principles and standards. The key domain for Audit Committee members is Domain 3.

Domain 1 – Purposes of internal auditing and adding value
Domain 2 - Ethics and professionalism -behavioural expectations.
Domain 3 – Governing the IA Function (Relationship between IA and Board (Committee) and responsibilities)
Domain 4 – Managing the IA function
Domain 5 – Performing IA services – expectation on engagement

Topical Requirements - such as Cyber / Fraud and ESG will have updated standards against which TIAA must audit those topics when they come into the audit plans.

Useful Resource:

Title	
Audit Committee Presentation (IIA-UK)	PDF CIIA%20-%20Audit%20Committee-present
Audit Committee Check List (IIA-UK)	CIIA-Audit%20Committee%20Annual%20A
IIA-UK Fact Sheet	PDF code-of-practice-document_september202

CLIENT BRIEFING NOTE

Authorised Push Payment Scams

An implementation date of 7 October 2024 for Authorised Push Payment scam protection, is confirmed by the Payment Systems Regulator.

The Payment Systems Regulator (PSR) is an independent subsidiary of the Financial Conduct Authority (FCA), accountable to Parliament, and is responsible for strong competition and regulatory powers.

Authorised Push Payment (APP) fraud is a significant issue and can have a devastating impact on victims. The PSR is taking a leading role in improving outcomes for consumers by introducing new protections for victims of APP scams, while incentivising industry to implement enhanced fraud prevention tools.

The PSR considered evidence from the industry and FCA about the maximum liability amount. After considering the findings and evidence provided, the PSR is consulting on a new cap. If confirmed, this would bring the cap in line with the Financial Services Compensation Scheme (FSCS) limit which is currently £85,000 and will see over 99% of claims by volume. The previous maximum reimbursement value had been set at £415,000, in line with the Financial Ombudsman maximum reimbursement limit at that time.

The consultation closes on 18 September and the PSR will consider the responses carefully and confirm its final approach before the end of September. However the PSR's requirements will still come into force on 7 October 2024.

These mandatory reimbursement requirements are part of the PSR's broader fraud prevention measures, which have also included the mandatory implementation of the name-checking service, Confirmation of Payee, enhanced data sharing between payment firms and increased transparency of payment firms' fraud performance and reimbursement rates.

For more information:

PSR confirms implementation date for APP scam protections as 7 October, and publishes high value APP scams review and consultation | Payment Systems Regulator

Action required

For information only to Audit Committees and Boards.

For more information please contact:

Melanie Alfatt, Director – Operations (Anti Crime & IT Audit)

Email: melanie.alflatt@tiaa.co.uk

Standard	Agenda Item	Suggested Frequency[1]			
		Other/ TBD	**Annually**	**Every Meeting**	**Before 2025[2]**
NEW Domain III	Discussion of Domains I and III[3]	✓			✓
NEW 6.1	Discussion and Approval of Internal Audit Mandate (included in the Charter)		✓		✓
6.1 & 6.2	Discussion and Approval of the Internal Audit Charter		✓		✓
6.3	Discuss and review the Audit Committee's effectiveness in championing and supporting the internal audit function to achieve its purpose. [3]	✓			
7.1 & 7.2	Discussion of the Chief Audit Executive's qualifications, position, reporting lines and performance. [3]	✓			✓
7.1	Private discussion with Chief Audit Executive			✓	
8.1, 8.2, 9.1, 9.4 10.1, 10.2, 10.3	Discussion of the priorities and approval of the Internal Audit Plan (including resourcing)		✓		
8.1	Discuss and approve the communication framework between the Chief Audit Executive and Audit Committee. [3]	✓			
8.1 & 8.2	Receive and discuss Chief Audit Executive Reports (regular and annual) and agree any actions as appropriate.		✓ (highly recommended)	✓ (highly recommended)	
11.3, 11.4 & 11.5	Receive and discuss internal audit engagement results, including acceptance of risks.			✓	
8.3	Discussion and Approval of Quality Assurance and Improvement Programme. [3]	✓			
NEW 8.3 & 12.2	Discuss and approve the Internal Audit's performance objectives.		✓ (required)		✓
8.3	Assess the effectiveness and efficiency of the internal audit function.		✓		✓

8.4	Review and approve the plan for the external quality assessment, receive the report and action plan for review and approval.	✓ (max 5 years)			
NEW 9.2	Discussion and Approval of Internal Audit Strategy. [3]	✓			
NEW 9.2	Review of progress of Internal Audit Strategy.		✓		

Notes to the suggested Annual Agenda Schedule

[1] The suggested frequency is based on best practice, but Audit Committees may decide to have items more or less frequently depending on the size and nature of their internal audit function. Only the discussion and approval of performance objectives and the EQA Standards have a stipulated frequency in the new Global Internal Audit Standards, however the review and discussion of the CAE's reports are also expected to be performed at every meeting as well as annually.

[2] These items may well be new for some audit committee agendas, or they are fundamental to ensuring that a sound understanding is in place of the Internal Audit Function. Therefore, we are recommending that these are included on Audit Committee Agendas, before the effective date of 9 January 2025 where possible.

[3] The suggested frequency for these items has been left open for the Audit Committee to determine, as the frequency will depend heavily on the size of the organisation, sector and resourcing model for internal audit. For example, we would recommend that for audit committees of large, highly regulated organisations with an inhouse internal audit function that the frequency is more regular and likely to be annual in many cases, as opposed to those of small, unregulated organisations where the internal audit function is outsourced where some of these may form part of the tender/bid process every three or five years.

Chartered Institute of
Internal Auditors

Internal Audit Code of Practice

Principles on effective internal audit in the financial services, private and third sectors

September 2024 (Effective from January 2025)

Foreword

We are excited to introduce the new Internal Audit Code of Practice, which sets out fundamental principles for running a strong and effective internal audit function. For the first time, we present a unified Code that encompasses the financial services, private, and third sectors.

The Code reflects the final recommendations of the Independent Internal Audit Code of Practice Review Committee and has received full endorsement by the Chartered IIA's Council. We urge boards and internal audit professionals across the financial, private and third sectors to adopt and implement the Code's principles, embarking on their path to full compliance. Embracing these principles will maximise the value of internal audit and unlock the full potential of our profession.

The release of the new Code is particularly timely as our profession navigates an increasingly more uncertain, risky and rapidly changing world. It provides a unique opportunity to strengthen the role of internal audit in assisting boards and senior management with identifying, managing and mitigating risks effectively in a dynamic landscape. A stronger internal audit profession is also essential in restoring trust in the broader audit and corporate governance ecosystem.

The Code aligns with the International Professional Practices Framework and the new Global Internal Audit Standards which constitutes the baseline for our profession. The Code serves as an industry benchmark to embed best practices and raise the bar of the internal audit profession across the UK and Ireland. We believe it is crucial to continually challenge internal audit functions to enhance their performance, given the significant role our nations play in the global economy and in championing world-leading corporate governance.

Effective from January 2025, the Code will be applicable to all internal audit functions in the financial services, private and third sectors, in alignment with the new Global Internal Audit Standards and the revised UK Corporate Governance Code. Although the Code remains principles-based and should be applied proportionately, we recognise that some internal audit functions may be at different stages of their compliance journey. Nonetheless, all functions are expected to engage with the Code's principles. External Quality Assessment (EQA) providers will benchmark against the Code and assess progress towards best practices.

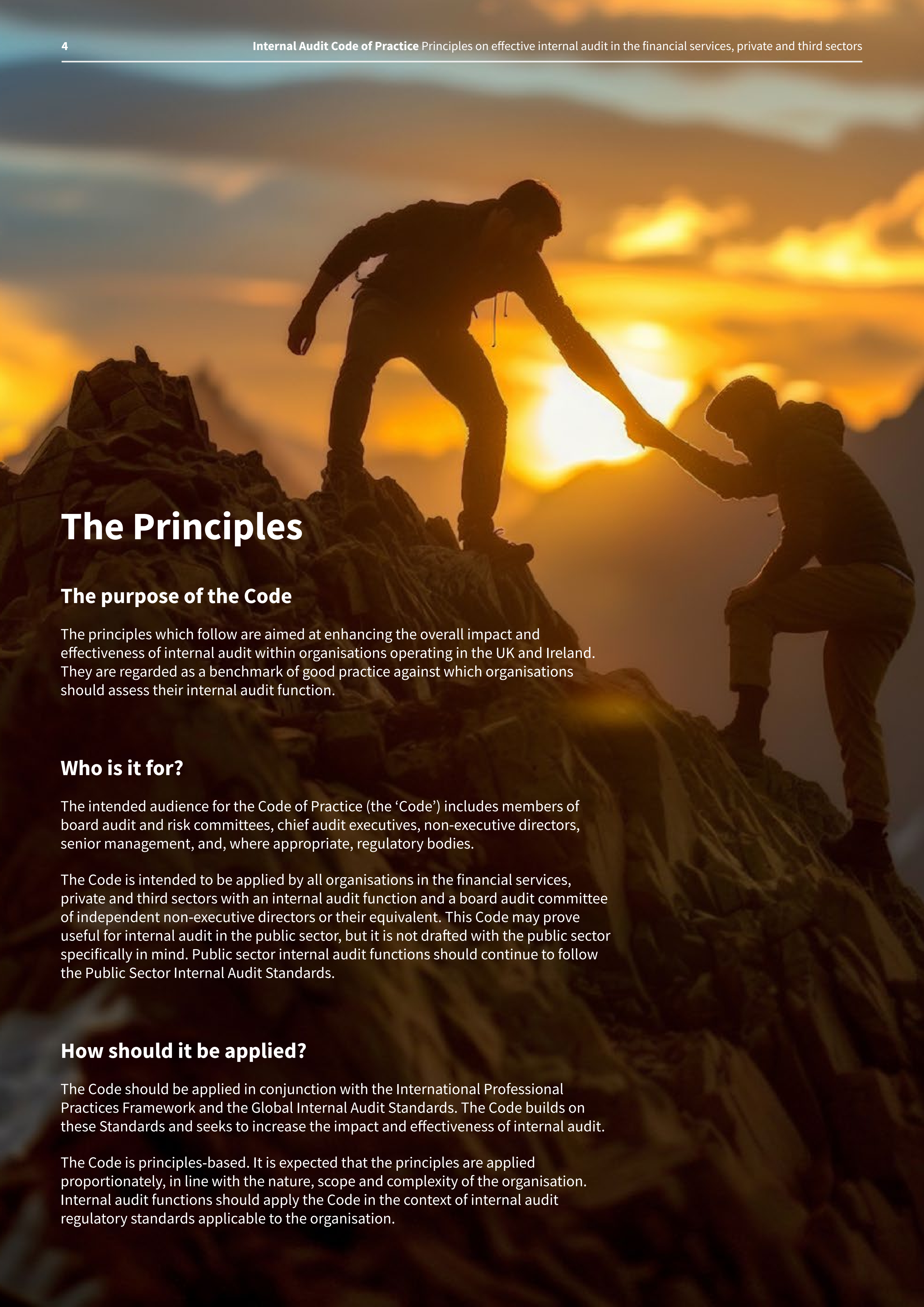
The Code's recommendations were developed by a diverse and experienced committee of senior internal audit professionals and audit committee chairs, with input from several UK and Ireland regulators who participated as observers. The Code underwent extensive public consultation, and the feedback received was thoroughly considered by both the Independent Internal Audit Code of Practice Review Committee and the Chartered IIA's Council. While modifications were made based on feedback, it is noteworthy that all the proposed changes were strongly supported by the majority of consultation participants.

Both the Chartered IIA's Council and the Committee are confident that the final Code equips the UK and Ireland internal audit profession to meet current challenges, remain relevant, and evolve as strategic advisors to the organisations we serve. Now, more than ever, our profession needs to be bold and courageous. The new Code ensures that internal audit continues to play a crucial role in protecting the assets, reputation, and sustainability of our organisations.

We believe this Code will be instrumental in moving our profession forward and enhancing corporate governance in the UK and Ireland.

Sandro Boeri, President, Chartered IIA & Sally Clark, Chair, Independent Internal Audit Code of Practice Review Committee

Contents



The Principles

The purpose of the Code

The principles which follow are aimed at enhancing the overall impact and effectiveness of internal audit within organisations operating in the UK and Ireland. They are regarded as a benchmark of good practice against which organisations should assess their internal audit function.

Who is it for?

The intended audience for the Code of Practice (the ‘Code’) includes members of board audit and risk committees, chief audit executives, non-executive directors, senior management, and, where appropriate, regulatory bodies.

The Code is intended to be applied by all organisations in the financial services, private and third sectors with an internal audit function and a board audit committee of independent non-executive directors or their equivalent. This Code may prove useful for internal audit in the public sector, but it is not drafted with the public sector specifically in mind. Public sector internal audit functions should continue to follow the Public Sector Internal Audit Standards.

How should it be applied?

The Code should be applied in conjunction with the International Professional Practices Framework and the Global Internal Audit Standards. The Code builds on these Standards and seeks to increase the impact and effectiveness of internal audit.

The Code is principles-based. It is expected that the principles are applied proportionately, in line with the nature, scope and complexity of the organisation. Internal audit functions should apply the Code in the context of internal audit regulatory standards applicable to the organisation.

A. Purpose and mandate of internal audit

Outcome: Internal audit has a clear purpose and mandate. There is a strong tone at the top of the organisation, which enables internal audit to effectively discharge its mandate.

Principles:

1. The primary purpose of internal audit should be to help the board and senior management to protect the assets, reputation and sustainability of the organisation.

   It does this by:
   - Providing independent, risk-based and objective assurance, advice, insight and foresight.
   - Assessing whether all significant risks are identified and appropriately reported by management to the board and senior management.
   - Evaluating whether the organisation is adequately controlled.
   - Challenging and influencing senior management to improve the effectiveness of governance, risk management and internal controls, including identifying efficiencies and removing duplicative and/or redundant controls.

   The purpose and mandate of internal audit should be articulated in an internal audit charter, which should be publicly available.

2. The board, its committees and senior management should set the right 'tone at the top' to ensure support for, and acceptance of, internal audit at all levels of the organisation.

3. The chief audit executive should report annually to the board audit committee on how the principles in the Code have been applied.

4. The board audit committee report in the annual report and accounts should summarise the purpose and mandate of internal audit, the function's main activities and conclude on internal audit's impact and effectiveness.

B. Scope and priorities of internal audit

Outcome: Internal audit has an unrestricted scope and access to all areas of the organisation and information, including the scope areas outlined in principle 8. Internal audit has an effective process to determine internal audit coverage.

Principles:

5. Internal audit's scope should be unrestricted.

   There should be no aspect of the organisation which internal audit should be restricted from looking at as it delivers on its mandate. Whilst it is not the role of internal audit to second guess the decisions made by the board and its committees, its scope should include information presented to the board and its committees as discussed further below.

6. Risk assessments and prioritisation of internal audit work.

   In setting its scope, internal audit should form its own judgement on how best to determine internal audit coverage given the structure and risk profile of the organisation. It should take into account business strategy and should form an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assess how effectively these risks are being managed. Internal audit's independent view should be informed, but not determined, by the views of stakeholders, including management, the risk function, other control functions, and regulators. In setting out its priorities and deciding where to carry out more detailed work, internal audit should focus on the areas where it considers risks to be higher.

   Internal audit should make a risk-based decision as to which areas within its scope should be included in the internal audit plan. It does not necessarily have to cover all of the scope areas every year. Its judgement on which areas should be covered in the internal audit plan should be subject to approval by the board audit committee.

7. Internal audit coverage and planning.

   Internal audit plans, including significant changes, should be approved by the board audit committee. Internal audit plans should be dynamic, updated timely, and have the flexibility to deal with unplanned events to allow internal audit to prioritise any work of importance and emerging risks. Changes to the internal audit plan should be considered in light of internal audit's ongoing assessment of risk.

8. Scope of internal audit.

   The scope of internal audit's work should be regularly reviewed to take account of new and emerging risks. Where relevant, internal audit should assess not only the process followed by the organisation's first and second lines, but also the quality of their work. Internal audit should include within its scope the areas outlined below:

a. Purpose, strategy and business model.

   Internal audit should assess whether appropriate activities have been established to embed the organisation's purpose. Internal audit is not responsible for setting the strategy but should include within its scope an assessment of the processes and controls supporting strategic and operational decision-making, and the delivery of strategic priorities. It should include whether the information presented to the board and senior management fairly represents the benefits, risks and assumptions associated with the viability of the strategy and business model.

b. Organisational culture.

   Internal audit should undertake risk-based reviews of organisational culture, incorporating but not limited to risk and control culture assessments. This could include the evaluation of relevant processes, tone at the top, behaviours, and way in which the strategy, values, ethics, and risk policies are aligned and embedded.

c. Internal governance.

   Internal audit should include within its scope the design and operating effectiveness of the internal governance structures and processes of the organisation.

d. The setting of, and adherence to, the risks the entity is willing to accept (risk appetite).

   Internal audit is not responsible for setting the board's risk appetite but should assess whether the risk appetite has been established and reviewed through the active involvement of the board and senior management. It should assess whether risk appetite is embedded within the activities, limits and reporting of the organisation.

e. Key corporate and external events.

   Examples of key corporate events could include significant business process changes, introduction of new products and services, outsourcing decisions and acquisitions/divestments. Examples of key external events include macroeconomic and geopolitical uncertainties. Internal audit should decide on a timely basis if these events are sufficiently high risk to warrant involvement and attention. In doing so, internal audit will evaluate whether the key risks are being adequately addressed (including by other forms of assurance, e.g. due diligence) and reported. Internal audit should also assess whether the information being used in such key decision-making is fair, balanced and reasonable, and whether the related procedures and controls have been followed.

f. Capital and liquidity risks.

   Internal audit should include within its scope the modelling and management of the organisation's capital and liquidity risks. This could include the process for establishing and maintaining scenario analysis (stress testing) in relation to major risk categories and recovery plans related to economic shocks.

g. Risks of poor customer treatment, giving rise to conduct or reputational risk.

   Internal audit should evaluate whether the organisation is acting with integrity in its dealings with customers and in its interaction with relevant markets. Internal audit should evaluate whether business and risk management is adequately designing and controlling products, services and supporting processes in line with customer interests, protection of customer data and applicable conduct regulation.

h. Environmental sustainability, climate change risks and social issues.

Internal audit should include within its scope matters relating to environmental sustainability, climate change risks and social issues such as diversity, equity and inclusion. Internal audit could consider evaluating the processes to support, and the accuracy of, sustainability reporting and disclosures.

i. Financial crime, economic crime and fraud.

Internal audit should include within its scope risks relating to financial crime, economic crime and fraud. Internal audit should assess the adequacy and effectiveness of controls to prevent, identify, monitor and report on illegal acts including money laundering, bribery and corruption, accounting fraud, and other forms of financial and economic crime. This includes an evaluation of the adequacy and effectiveness of fraud risk governance and management.

j. Technology, cyber, digital and data risks.

Internal audit should include within its scope coverage of technology risks. This should include assessing the governance, risk management and control framework for managing IT general controls, cyber, cloud, digital and data risks including the use of emerging technology such as artificial intelligence.

k. Risk management, compliance, finance and control functions.

Internal audit should assess the adequacy and effectiveness of risk management, compliance, finance and other control functions. This should include an evaluation of the functions' mandate, organisational design, activities and priorities, capabilities, resources, tools and technology and reporting.

l. Outcomes of processes.

Internal audit should evaluate the design and operating effectiveness of the organisation's policies and processes. In doing so, it should not adopt a 'tick box' approach based purely on the design of processes and controls and should always consider the actual outcomes which result from their application.

C. Reporting results

Outcome: Internal audit's reporting to the board audit committee, and any other board committees as appropriate (such as the board risk committee), is impactful and relevant. Overall opinions are provided to the board audit committee on the scope areas identified as higher risk.

Principles:

9. Internal audit should be present at, and issue consolidated reports, to key governance committees, including the board audit committee and any other board committees as appropriate. The nature of the reports will depend on the remit of the respective governing bodies. Internal audit should also issue relevant consolidated reports to the board risk committee and present as appropriate.

10. Internal audit's consolidated reporting to the board audit committee, and any other board committees as appropriate (such as the board risk committee), should provide:

    - Overall opinions on the scope areas selected and covered (refer to section 'B. Scope and Priorities', principle 8).
    - Insights on significant control weaknesses and breakdowns together with a robust root cause analysis.
    - Any thematic and systemic issues identified across the organisation including owners, accountabilities and timescales.
    - An independent view of management's reporting on the risk management of the organisation, including a view on management's remediation plans (which might include restricting further business until improvements have been implemented) highlighting areas where there are significant delays.

- A review of any post-mortem and 'lessons learned' analysis if a significant adverse event has occurred at an organisation. Any such review should assess both the role of the first and second lines and internal audit's own role.
- An analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.
- Insights on areas where governance, risk management and internal controls are effective, and where internal audit has identified efficiencies, including removal of duplicative and/or redundant controls.

11. At least annually, internal audit's reporting to the board audit, board risk and any other board committees should include an overall opinion on the effectiveness of the governance, and risk and control framework of the organisation, and its overall opinion on whether the organisation's risk appetite is being adhered to. This should support any board disclosure on the organisation's risk management and material controls and should highlight any significant weaknesses identified.

D. Interaction with risk management, compliance, finance and control functions

Outcome: Internal audit has an organisation wide remit and mandate which includes assessing and interacting with risk management, compliance, finance and other control functions.

Principles:

12. *The following is applicable to organisations who operate in the financial services sector and is considered best practice for organisations who operate in the private and third sectors:*

    Effective risk management, compliance, finance, and other control functions are an essential part of an organisation's corporate governance structure. Internal audit should be independent of these functions and be neither responsible for, nor part of, them.

    The following is applicable to organisations who operate in the private and third sectors:

    In most organisations, there will be some functions (e.g. finance, HR, compliance, legal, health & safety and risk management) whose responsibilities include designing and/or operating controls over risks, which arise in other parts of the organisation. Functions with such control responsibilities have substantial potential to contribute to the effectiveness of governance, risk management and internal controls in an organisation. The objectivity of internal audit is strongest if it is neither responsible for, nor part of, the control functions and such separation is to be preferred.

    In cases where the chief audit executive has been assigned some responsibility for other control functions, the board audit committee should ensure that the additional responsibilities of the chief audit executive:

    a. Do not undermine their ability to give appropriate attention to their internal audit responsibilities.
    b. Do not impair their independence from management and appropriate safeguards are put in place.
    c. Are appropriately documented in the internal audit charter.

    The board audit committee should also recognise that the chief audit executive is not able to make an objective assessment of the effectiveness of the additional functions for which they have responsibility and that it may be desirable to commission an external assessment of those functions.

13. In no circumstances should internal audit rely exclusively on the work of risk management, compliance, finance or other control functions, in either its risk assessment or in the determination of the level of audit testing required for the activities under review.

    Any judgement which results in less intensive internal audit scrutiny should only be made after an appropriate evaluation of the effectiveness of that specific function in relation to the area under review.

14. Internal audit should coordinate with assurance providers on the organisation's key risks. This should include understanding coverage and aligning on the timing of assurance.

E. Independence and authority of internal audit

Outcome: Internal audit is independent and objective. Internal audit has the appropriate standing, stature and access.

Principles:

15. The chief audit executive should be positioned at a senior management level (normally expected to be at executive committee or equivalent) within the organisation to give them the appropriate standing, status, access and authority to challenge senior management. Subsidiary, branch and divisional heads of internal audit should also be of a seniority comparable to the senior management whose activities they are responsible for auditing.

16. Internal audit should have the right to attend and observe all or part of executive committee meetings and any other key management decision-making fora e.g. board risk committee. This enables internal audit to understand better the strategy of the business, key business issues and decisions, and to adjust internal audit priorities where appropriate.

17. Internal audit should have unrestricted and timely access to key management information and a right of access to all of the organisation's data, records, information, personnel and physical properties necessary to discharge its responsibilities. This includes access to board and executive committee papers.

18. The primary reporting line for the chief audit executive should be to the chair of the board audit committee.

19. The chair of the board audit committee should be responsible for appointing the chief audit executive and for determining when they should be removed from post.

20. In organisations in which the internal audit function is outsourced this Code still applies and the accountability of the function must be retained by the organisation.

21. The chair of the board audit committee should be accountable for setting the objectives of the chief audit executive and appraising their performance at least annually. It would be expected that the objectives and appraisal would take into account the views of the chief executive/administrative reporting line manager. This appraisal should consider the independence, objectivity and tenure of the chief audit executive. Where the tenure of the chief audit executive exceeds seven years, the board audit committee should explicitly discuss annually the chair's assessment of the chief audit executive's independence and objectivity.

22. The chair of the board audit committee should be responsible for recommending the remuneration of the chief audit executive to the remuneration committee. The remuneration of the chief audit executive and internal audit staff should be structured in a manner such that it avoids conflicts of interest, does not impair their independence and objectivity and should not be directly or exclusively linked to the short-term performance of the organisation.

23. Subsidiary (including ring-fenced bank), branch and divisional heads of internal audit should report primarily to the group chief audit executive, while recognising local legislation or regulation as appropriate. This includes the responsibility for setting budgets and remuneration, conducting appraisals and reviewing the internal audit plan. The group chief audit executive should consider the independence, objectivity and tenure of the subsidiary, branch or divisional heads of internal audit when performing their appraisals.

24. *The following is applicable to organisations who operate in the financial services sector and is considered best practice for organisations who operate in the private and third sectors:*

If internal audit has an administrative reporting line, this should be to the chief executive in order to preserve independence from any particular business area or function and to establish the standing of internal audit alongside the executive committee members.

The following is applicable to organisations who operate in the private and third sectors:

In certain scenarios, the administrative reporting line can be to another member of senior management who promotes, supports and protects internal audit's independent and objective voice. This should be agreed with the chair of the board audit committee.

F. Resources

Outcome: Internal audit has the right skills, experience, resources and budget to fulfil its mandate.

Principles:

25. The chief audit executive should ensure that the audit team has the skills and experience, including technical subject matter expertise, commensurate with the scale of operations and risks of the organisation. This may entail training, recruitment, secondment from other parts of the organisation, or co-sourcing with external third parties.

26. The chief audit executive should provide the board audit committee with a regular assessment of the skills required to conduct the work needed, and whether the internal audit budget is sufficient to recruit and retain staff or procure other resources with the expertise, experience and objectivity necessary to provide effective challenge throughout the organisation and to senior management.

27. The internal audit team should comprise internal auditors with a mix of backgrounds, skills and experiences who bring diversity of thought. The chief audit executive should recruit, retain and promote talent in accordance with the organisation's diversity, equity and inclusion policies and applicable legislation.

28. The chief audit executive should ensure that internal audit has the appropriate tools and technology to support the function's impact and effectiveness e.g. use of data analytics and artificial intelligence. Tools and technology should be used in internal audit activities, including to help auditors, analyse the risk profile to support scoping decisions, test controls and enhance internal audit coverage and quality. The function should regularly evaluate how tools and technology can be used to improve its effectiveness and efficiency.

29. The board audit committee should be responsible for approving the internal audit budget and, as part of the board's overall governance responsibility, should disclose in the annual report and accounts whether it is satisfied that internal audit has the appropriate resources.

G. Quality Assurance and Improvement Programme (QAIP)

Outcome: The board audit committee and internal audit assess the quality, performance, impact and effectiveness of the function.

Principles:

30. The board audit committee is responsible for approving internal audit's performance objectives and evaluating the performance of the internal audit function on a regular basis. In doing so, it will need to identify appropriate criteria for defining the success of internal audit. This should include assessing internal audit's value, impact, effectiveness and efficiency. Delivery of the internal audit plan should not be the sole criteria in this evaluation.

31. Internal audit should maintain an up-to-date set of policies, procedures, methodology and performance and effectiveness measures for the internal audit function. Internal audit should continuously improve these in light of industry developments.

32. Internal audit functions should develop a QAIP, with the work performed by individuals who are independent of the delivery of

the audit. The individuals performing the assessments should have the standing and experience to meaningfully challenge internal audit performance and to ensure that internal audit judgements and opinions are adequately evidenced.

The scope of the QAIP review should include internal audit's understanding and identification of risk and control issues and adherence to audit methodology and procedures. This may require the use of resource from external parties. The quality assurance work should be risk-based to cover the higher risks of the organisation and of the audit process. The results of these assessments should be presented directly to the board audit committee at least annually.

Internal audit should conduct periodic self-assessments on conformance with this Code and the Global Internal Audit Standards.

33. Where the internal audit function is outsourced to, or co-sourced with, an external provider, internal audit's work should be subject to the same QAIP work as an in-house function. The results of this QAIP work should be presented to the board audit committee at least annually for review. Chief audit executives should report regularly to the board audit committee on the actions or progress implementing the outcomes of the review.

34. The board audit committee should obtain an independent and objective external quality assessment at appropriate intervals, irrespective of the size of the organisation. This could take the form of periodic reviews of elements of the function, or a single review of the overall function. In any event, the internal audit function as a whole should as a minimum be subject to a review at least every five years, as set out in the Global Internal Audit Standards. The conformity of internal audit with this Code and the Global Internal Audit Standards should be explicitly included in this evaluation. The chair of the board audit committee should oversee and approve the appointment process for the independent assessor.

H. Relationship with regulators and external audit

Outcome: Internal audit has an open, constructive and cooperative relationship with regulators and external audit.

Principles:

35. The chief audit executive, and other senior managers within internal audit, should have an open, constructive and cooperative relationship with relevant regulators to support sharing of information relevant to carrying out their respective responsibilities.

36. The chief audit executive and the partner responsible for external audit should ensure appropriate and regular communication and sharing of information.

I. Wider considerations

Principles:

37. The Chartered Institute of Internal Auditors should commission further independent reviews of this guidance at least every five years, in the light of further experience, with a view to deciding whether any further changes are required.

Appendix I - Glossary of Terms

Activity under review
The subject of an internal audit engagement. Examples include an area, entity, operation, function, process, or system.

Annual report and accounts
The annual report and accounts provides investors and other stakeholders with clear and relevant information on the organisation's performance to support informed decision making and effective stewardship.

Board
Highest level body charged with governance, such as the board of directors.

Business model
An organisation's strategy and plan to operate and achieve business objectives. This includes the products and/or services offered.

Chief audit executive
The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with the Global Internal Audit Standards and the Code of Practice. The specific job title and/or responsibilities may vary across organisations.

Consolidated reports
A report that summarises the outcomes from internal audit's work including engagement conclusions, themes identified from internal audit's work, overall opinions and functional performance.

Customer
A customer is an individual or entity that engages with a provider, such as a business, non-profit organisation, or charity to obtain goods, services, and/or information. This includes consumers, purchasers, donors, beneficiaries, and volunteers.

Diversity, equity and inclusion
Diversity is the presence and participation of individuals with varying backgrounds and perspectives. Equity refers to fair access to opportunities, and just and impartial treatment. Inclusion is a sense of belonging where people's differences are valued and used to enable everyone to thrive and make meaningful contributions.

Diversity of thought
Bringing together a range of different styles of thinking among members of a group.

Economic and financial crime
Illegal acts committed by an individual or a group to obtain a financial or professional advantage. The principal motive is economic gain. This includes offences such as bribery, corruption, financial fraud, terrorist financing, tax evasion and money laundering.

External event
Events refer to incidents or occurrences outside of an organisation's control that can significantly impact its operations, performance and/or strategy.

Fraud
Any intentional act characterised by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organisations to secure unjust or illegal personal or business advantage.

Governance
The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organisation toward the achievement of its objectives.

Independence
The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.

Internal audit charter
A formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications.

Internal audit mandate
The internal audit function's authority, role, and responsibilities, which may be granted by the board and/or laws and regulations.

Internal audit plan
A document, developed by the chief audit executive, which identifies the engagements and other internal audit services anticipated to be provided during a given period. The plan should be risk-based and dynamic, reflecting timely adjustments in response to changes affecting the organisation.

Key corporate events
Any major changes within an organisation that can influence the organisation's strategy, business model, structure, operations, reputation and financial position.

Material controls
Material controls are specific to an organisation and should be identified by management. These will differ depending on an organisation's size, business model, strategy and structure. Financial materiality should not be the sole criteria for identifying material controls.

Objectivity
An unbiased mental attitude that allows internal auditors to make professional judgments, fulfil their responsibilities, and achieve the purpose of internal auditing without compromise.

Organisational culture
An organisation's values, attitudes, standards and beliefs.

Outcomes
Statements outlining the intended outcome of a section in the Code of Practice.

Overall opinions
An opinion provided based on a comprehensive assessment and judgement made considering all relevant findings, engagements, information and/or evidence. Overall opinions should reflect the professional judgement of the chief audit executive and be supported by relevant, reliable and sufficient information. Internal audit should consider a variety of inputs from across the organisation when providing overall opinions.

Principles
Broad principles to adhere to within the Code of Practice that should be applied in the context of an organisation's size, risk profile, nature, scope and complexity of their operations.

Purpose
An organisation's primary goal and fundamental reason for existence.

Quality Assurance and Improvement Programme
A programme established by the chief audit executive to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards and the Code of Practice, achieves performance objectives, and pursues continuous improvement. The programme includes internal and external assessments.

Risk appetite
The types and amount of risk that an organisation is willing to accept in the pursuit of its strategies and objectives.

Risk assessment
The identification and analysis of risks relevant to the achievement of an organisation's objectives. The significance of risks is typically assessed in terms of impact and likelihood.

Risk and control culture
An organisation's/management's values, beliefs, knowledge, attitudes and understanding about risk and control.

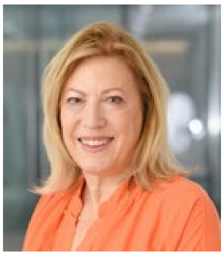
Root cause
Core issue or underlying reason for the difference between the criteria and the condition of an activity under review.

Senior management
The highest level of management of an organisation that is ultimately accountable to the board for the organisation strategic decisions. Typically this is a group of persons that includes the chief executive officer or head of the organisation.

Technology
The digital tools, systems and technology used within an organisation. This includes audit software and tools, data analytics, process mining and advanced technologies such as artificial intelligence.

Thematic issue
An issue which is pervasive across several areas of the organisation. This may include the findings and conclusions of multiple engagements, which when viewed holistically may reveal patterns or trends, such as root causes.

Appendix II – The Independent Internal Audit Code of Practice Review Committee



Sally Clark
Audit Committee Chair, Citigroup Markets & Non-Executive Director, AIB (UK) and Bupa (Committee Chair)

Jonathan Calvert-Davies
Group Head of Internal Audit, HSBC

Carolyn Clarke
Deputy President, Chartered IIA (and Audit Risk and Sustainability Committee Chair, Elcogen)

Gordon Craig
Director of Internal Audit, 3i

Jeremy Eagles
Chief Audit Officer, Bupa

Bernice Gaffney
Head of Internal Audit, Bord na Mona (and Member, Audit, Risk and Governance Committee, Health Information and Quality Authority)

Byron Grote
Audit Committee Chair, Tesco & Intercontinental Hotels

Paul Kaczmar
Head of Audit and Risk, Page Group

Veesh Sharma
Chief Assurance Officer and Chief Risk Officer, Save the Children

Paul Skinnider
Head of Internal Audit, Taylor Wimpey

Janette Taylor
Head of Professional Practices – Internal Audit, Santander

Sara Yorke
Head of Internal Audit - Legal, Regulatory, Internal/External Affairs, Vodafone

Observers to the Committee

Mark Babington
Executive Director Regulatory Standards, Financial Reporting Council

Peter Elam
Group Head of Risk Management and Business Assurance (Member, International Internal Audit Standards Board and former President, Chartered IIA)

Robin Jones
Director of Internal Audit, Financial Conduct Authority

Anne Kiem OBE
Chief Executive, Chartered IIA

Sarah Sodeau
Head of Division – Internal Audit, Bank of England

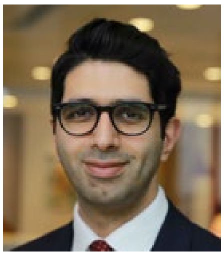
Paul Wrafter
Head of Internal Audit, Central Bank of Ireland

Secretariat to the Committee

Saheet Gohil
Partner, EMEIA Financial Services, EY

Gavin Hayes
Head of Policy and Public Affairs, Chartered IIA

Sophie Lazarus
Director, EMEIA Financial Services, EY



Harjeet Powar
Partner, EMEIA Financial Services, EY

About Chartered IIA

The Chartered Institute of Internal Auditors is the only professional body dedicated exclusively to training, supporting and representing internal auditors in the UK and Ireland.

We have over 10,000 members in all sectors of the economy. First established in 1948, we obtained our Royal Charter in 2010.

Over 2,000 members are Chartered Internal Auditors and have earned the designation CMIIA. About 1,000 of our members hold the position of head of internal audit and the majority of FTSE 100 companies are represented among our membership.

Members are part of a global network of over 245,000 members in 170 countries, all working to the same International Standards and Code of Ethics.

To learn more, visit:
www.iia.org.uk

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Chartered Institute of Internal Auditors

July 2024

CLIENT BRIEFING NOTE

The Economic Crime and Corporate Transparency Act 2023

The aim of this Act is to strengthen the UK's fight against economic crime while enhancing corporate transparency in the UK. The Act received Royal Assent on 26 October 2023, but is pending sanction guidelines before it becomes law.

Companies House Reform- Key Points

Identity verification for proposed directors and enhanced scrutiny of persons with significant control.

Broadening the powers of the Registrar so that they can become a more active gatekeeper and check, remove or decline information submitted to or already on the companies register.

Providing Companies House with more effective investigation and enforcement powers and introducing cross-checking of data with other public and private sector bodies.

Broader reforms to clamp down on the misuse of corporate entities.

Failure to Prevent Fraud Offence

A new offence that holds companies and organisations accountable for failing to prevent economic crimes committed by their employees or agents. It aims to drive a culture shift towards better fraud prevention in organisations.

Focuses on situations where a company's failure to implement anti-fraud measures results in criminal activity within the organisation.

Companies can be prosecuted if they fail to take reasonable steps to prevent fraud, money laundering or other economic crimes. Offences typically involve bribery, corruption, tax evasion or fraudulent financial activities.

In order to prevent prosecution under the Act the organisation must be able to demonstrate that it has adequate measures in place to prevent fraud.

Failure to Prevent Money Laundering

An organisation is liable if an employee or agent commits money laundering for the organisation's benefit. It does not need to be proven that the organisation knew that money was being laundered through its accounts.

An organisation must have reasonable anti-money laundering (AML) procedures in place.

The Act will strengthen anti-money laundering powers and enable better information sharing.

Cryptoassets

The Act will provide additional powers to law enforcement so that they are able to more easily seize and recover cryptoassets which are the proceeds of crime.

For More Information:

Economic Crime and Corporate Transparency Act 2023: Factsheets - GOV.UK (www.gov.uk)

Action Required

Audit Committees and Boards to note the key points and requirements of the Act, and obtain assurance from Executives about the organisation's arrangments to prevent fraud in preparation for the Act.

The Anti-Crime team at TIAA can provide advice and support to organisations seeking to ensure compliance.

For more information please contact:

→ Melanie Alfatt, Director – Operations (Anti Crime & IT Audit)

→ Email: melanie.alflatt@tiaa.co.uk

Global Internal Audit Standards 2024 – What Audit Committees need to know

June 2024

Chartered Institute of Internal Auditors

Agenda

- The IPPF and Global Standards
- Key Changes and Areas of Challenge
- External Quality Assessments
- Audit Committee To Do List

Global Internal Audit Standards 2024, Domain III:

Appropriate governance arrangements are essential to enable the internal audit function to be effective.

…activities of the board [Audit Committee] …are essential to the internal audit function’s ability to fulfill the Purpose of Internal Auditing.

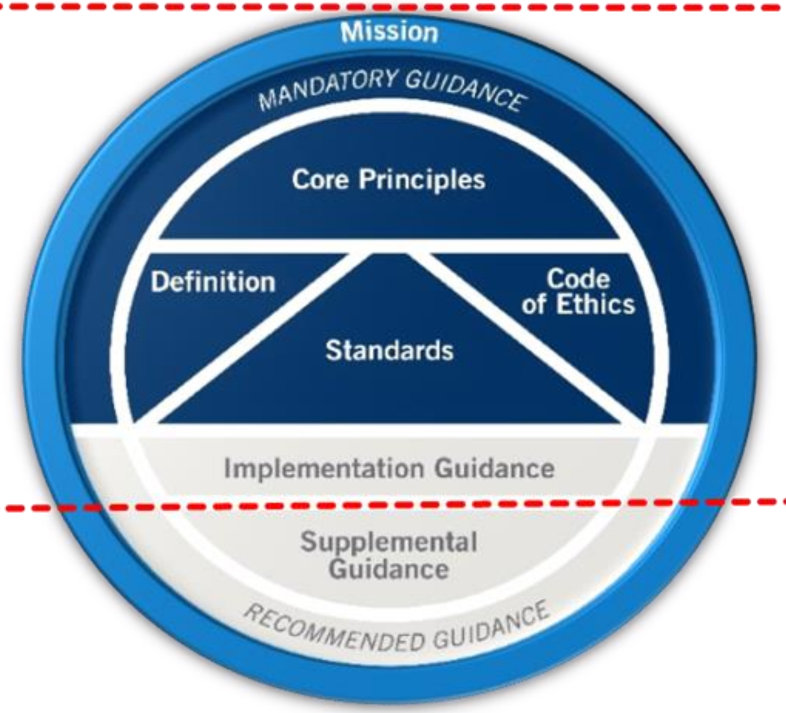
The IPPF and new Global Standards

Current IPPF and Global Standards

The Institute of Internal Auditors

Current

International Professional Practices Framework



Proposed

International Professional Practices Framework

Global Internal Audit Standards

Guidance will continue to be a recommended part of the framework.

Topical Requirements

A new mandatory element under early consideration but not yet developed.

If approved, Topical Requirements would cover governance, risk management, and control processes over specific audit subjects.

Global Internal Audit Standards

Five Domains, 15 Principles

I. Purpose of Internal Auditing

II. Ethics and Professionalism

1. Demonstrate Integrity
2. Maintain Objectivity
3. Demonstrate Competency
4. Exercise Due Professional Care
5. Maintain Confidentiality

III. Governing the Internal Audit Function

6. Authorized by the Board
7. Positioned Independently
8. Overseen by the Board

IV. Managing the Internal Audit Function

9. Plans Strategically
10. Manages Resources
11. Communicates Effectively
12. Enhances Quality

V. Performing Internal Audit Services

13. Plan Engagements Effectively
14. Conduct Engagement Work
15. Communicate Engagement Conclusions and Monitor Action Plans

Topical Requirements

- Requirements when auditing the topics.
- Recommended practices.
- Applicable for a specific audit topic or engagement.
- Covering aspects of governance, risk management, and control processes.

- Cybersecurity – out for consultation until 3 July
- Sustainability: ESG
- Third Party Management
- Information Technology Governance
- Assessing organisational Governance
- Fraud Risk Management
- Privacy Risk Management
- Public Sector: Performance Audits

Key Changes and Areas of Challenge

Glossary

There are some newly defined terms, and slight amends on others. The term ‘board’ used in the Global Standards is explained in full.

The term **<u>Board</u>** is a collective noun and is defined in the glossary as follows:

‘Highest-level body charged with governance, such as:

- *A board of directors.*
- *An audit committee.*
- *A board of governors or trustees.*
- *A group of elected officials or political appointees.*
- *Another body that has authority over the relevant governance functions.*

In an organization that has more than one governing body, <u>“board” refers to the body or bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.’</u>

Domain I – Purpose of Internal Auditing

‘Internal auditing strengthens the organization’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, <u>insight, and foresight</u>.’

Internal auditing enhances the organization’s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- <u>Ability to serve the public interest.</u>

Domain III – Governing the Internal Audit Function

Board/Audit Committee now have to conform with the Essential Requirements included in the Domain, as well as the Principles and Standards. The following is a summary of these:

- Discussion of Domains I & III of the new global standards at audit committee is required
- The internal audit mandate (documented within the Charter) is to be discussed with the CAE and Senior Management and approved by the Board when presented by the CAE.
- The Board must advocate and champion the internal audit function to support its purpose and enable it to pursue its strategy and objectives. This includes
    - working with senior management,
    - supporting the CAE through regular communication; ensuring that the CAE reports to an appropriate level; approving the mandate, charter, strategy and internal audit plan, **budget** and resource plan; and
    - ensures internal audits authority has not been compromised or limited and meeting with the CAE privately.

Domain III – Governing the Internal Audit Function

Principle 7 – Positioned Independently

‘The internal audit function is only able to fulfill the Purpose of Internal Auditing when the chief audit executive reports directly to the board, is qualified, and is positioned at a level within the organization that enables the internal audit function to discharge its services and responsibilities without interference.’

Domain III – Governing the Internal Audit Function

Principle 8 – Overseen by the Board

This considers the mechanics of the interactions between the CAE and the Board. It gives the Board's essential conditions as

- Understanding how IA is fulfilling its mandate
- Explaining the boards perspective on organisation's strategy, risks, to help determine IA priorities
- Frequency of communications being agreed
- Escalation protocols and criteria
- Conclude on the organisations governance, risk and internal control based on the reports from IA
- Discuss differences of opinion on audit findings to support the IA mandate being achieved.

Domain III – Governing the Internal Audit Function

Principle 8 – Overseen by the Board

- Support the discussions and decisions around resourcing IA in order for it to fulfil its mandate, and issues due to a lack of resources.
- Discuss and support the Quality Assurance and Improvement Programme, and assess the effectiveness and efficiency of the IA function (conformance and performance)
- Discuss and approve the IA's performance objectives annually
- External Quality Assessment involvement from discussion of the plan, helping to determine scope and frequency, review and approve the plan for the EQA. Receive the full results from the EQA and review and approve the resulting action plan along with timelines to complete and monitor progress.

Domain III – Governing the Internal Audit Function

Global Standards 2024

Internal Audit Mandate - 'The internal audit function's <u>authority, role, and responsibilities</u>, which may be granted by the board and/or laws and/or regulations.'

Internal Audit Charter – 'A formal document that includes the internal audit function's mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications.

IPPF 2017 Standards

'**The internal audit charter** is a formal document that defines the internal audit activity's <u>purpose, authority, and responsibility</u>. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Other Key changes

Domain II – Essentially the Code of Ethics with some further expansion pulling from Implementation Guidance. Introduction of the term 'Professional Courage' and ethics training as a consideration for implementation, but CIAs MUST complete 2 CPEs of ethics training every year. Also 'professional courage' as an appraisal objective.

Domain IV – The Internal Strategy Principle sits in here, and the need to develop and implement an internal audit strategy.

Domain V – This is largely the same as the IPPF. The term root cause in here has been an area of discussion amongst internal auditors.

External Quality Assessments

External Quality Assessments

If your assessment is due in 2024 then you can:

1. Have an EQA against the existing IPPF
2. Request an additional piece of work against the new global standards (a readiness assessment)

If your assessment is due in 2025 then you can:

1. Bring your EQA forward so it is done against the existing IPPF, but this must be reported before January 2025.
2. Keep your EQA to the current deadline and it will need to be done against the new Global Standards if after 9 January 2025

Note: If you are not going to adopt the new global Standards until 9 January / April 2025 then you need to allow sufficient time for you to have completed engagements using the new Standards before your EQA is undertaken. Therefore the due date may impact on your decision.

Questions?

Contact us for further information on;

Membership services
membership@iia.org.uk

Training courses including online
learning@iia.org.uk

Career pathway and designations
studentsupport@iia.org.uk

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Thank you

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August 2024

CLIENT BRIEFING NOTE

Global IT Outage highlights need for robust IT Disaster Recovery and Business Continuity

Recent events with a worldwide IT outage highlighted the vulnerability and impact IT systems have in every element of sectors, of organisations of all sizes. Whilst this incident was limited to specific software, the event highlights that all organisations need to have robust IT Disaster Recovery plans (to restore IT services), as well as commensurate Business Continuity Plans (BCP are alternate ways of working during an outage). It is vital that these plans are compatible with operational needs, and the criticality of the IT systems. How long can your organisation last without IT? 4 hours, 4 days, 4 weeks…4 months? Depending on your budget, risk appetite, and tolerance for running under BCP, this will be a key factor in how resilient your IT systems need to be.

Contact TIAA Digital for independent advice, and support in this business critical process.

Key Points

→ Organisations need to make an informed review of the criticality of IT systems, and how long the organisation can function without IT systems or data.

→ IT Disaster Recovery (IT DR) plans need to reflect the significance of an outage that is outside their control and devise recovery plans accordingly.

→ Business Continuity Plans (BCP) need to align with real world capacity and capability to use alternatives to key IT systems.

→ IT DR and BC plans require testing in-house to ensure single points of failure both for technology and people have been removed, and the plans can be used effectively.

→ Both IT DR and BCP need to align, and for effective governance, the Executive team should have oversight and ownership.

Link

https://www.bbc.co.uk/news/articles/cp4wnrxqlewo

https://www.bbc.co.uk/news/articles/cp0823lz4j7o

Contact TIAA Digital for advice enquiries@tiaa.co.uk

Action Required

Management and Boards are recommended to seek independent assurance that the current IT Disaster Recovery planning and Business Continuity Plans are robust and fit for purpose.

ORIGINATOR: Chief Finance Officer

REASON FOR SUBMISSION: To review and note.

SUBJECT: Mid-Year Treasury Management Monitoring Report 2024/25

SUMMARY:

The regulatory framework for treasury management requires the Police and Crime Commissioner (PCC) to receive a mid-year monitoring report on treasury activities.

This report provides information on the treasury management activities of the PCC for the period 1st April 2024 to 30th September 2024.

The first half of 2024/25 has been dominated by the UK election, the subsequent change of Government, the run up to the US election, widening political unrest and the resultant economic impact. UK GDP (quarter on quarter) rose by 0.7% in the period April to June followed by a forecast increase of 0.5% in the quarter to Sep-24. With annual CPI Inflation falling from 2.3% in April to 1.7% in September, the Monetary Policy Committee (MPC) left the base rate unchanged at 5.00% in September, however, the base rate still fell from 5.25% to 5.00% in the 6 month period.

At the 30th September 2024, the PCC's external debt excluding PFI and ROU lease liabilities was £30.1m, its investments totalled £17.00m and bank balances £0.546m.

RECOMMENDATION:

The Committee is asked to review and note the report.

1. Introduction

a. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Sector (the Code), requires that the PCC receives a mid-year review of treasury activities in addition to the forward looking annual investment and treasury strategy and backward looking annual treasury report. The Annual Investment and Treasury Strategy for the current year (2024/25) was reviewed by the Audit Committee on 24 January 2024 and then later approved by the PCC.

1.2 The PCC operates a balanced budget, which broadly means income receivable during the year will cover expenditure payable and any planned movement on reserves. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

1.3 The second main function of the treasury management service is the financing of the PCC's capital plans. These capital plans provide a guide to the borrowing need of the PCC, essentially the longer term cash flow planning to ensure the PCC can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to the PCC's risk or cost objectives.

1.4 As a consequence treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 The PCC has delegated responsibility for treasury management decisions taken within the approved strategy to the PCC's Chief Finance Officer. Day to day execution and administration of investment and borrowing decisions are undertaken by the Constabulary.

1.6 The PCC recognises the importance of monitoring treasury management activities, with regular reports being presented to the Audit Committee throughout the year.

1.7 This mid-year review provides commentary on economic conditions produced by Link Asset Services (the PCC's external treasury consultant) and details treasury activities for the period 1 April 2024 to 30 September 2024 including; cash balances and cash flow management, investment performance, counterparty management and long-term borrowing/debt management.

2. Link Asset Services Economic Update - October 2024

2.1 Economics update

The third quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)

- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;

- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;

- Core CPI inflation increasing from 3.3% in July to 3.6% in August;

- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;

- 10-year gilt yields falling to 4.0% in September.

The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.

The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.

The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.

The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.

Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.

The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.

Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran’s missile attack on Israel on 1 October. China’s recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

Our forecast is next due to be updated around mid-November following the 30 October Budget, 5 November US presidential election and the 7 November MPC meeting and the release of the Bank of England Quarterly Monetary Policy Report.

Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.

The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in AI.

MPC meetings: 9 May, 20 June, 1 August, 19 September 2024

On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.

However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.

Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.

Nonetheless, November still looks most likely to be the next month to see a rate cut to 4.75% but, thereafter, inflation and employment data releases, as well as geo-political events, are likely to be the determinant for what happens in the remainder of 2024/25 and into 2025/26.

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2.2 Interest rate forecasts

The PCC has appointed Link Treasury Services Ltd as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 28th May sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	28.05.24									
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

3. Cash Balances and Cash Flow Management

3.1 The PCC's cash and short-term investment balances support revenue and capital resources, such as general balances and earmarked reserves and the timing differences between the receipt and payment of monies required to meet the cost of PCC services and the capital programme. The average level of cash and short term-investment balances in the year to date totals £24.3m.

3.2 Cash and short-term investment balances are managed internally and have been invested in accordance with the PCC's approved Authorised Lending List.

3.3 A key objective of cash flow management is to minimise balances held in the PCC's bank accounts in order to ensure that the maximum interest is earned.

3.4 The PCC operates seven bank accounts. Cash balances across all seven accounts are aggregated and surplus cash balances are invested on a daily basis.

3.5 From 1 April 2024 to 30 September 2024 (excluding investments, investment maturity and loan repayments), monies received amounted to £178.0m while payments total £159.7m, resulting in an overall increase in cash balances of £18.3m.

3.6 By continuing to delay borrowing for capital purposes (Section 6) while at the same time actively managing levels of liquid cash, the PCC on occasions has needed to borrow short-term from the money markets to cover daily liquidity. However there has been no short term borrowing in the review period.

4. Investment Performance

4.1 In accordance with the Code, it is the PCC's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the PCC's risk appetite.

a. At the 30th September 2024, the PCC held £17.0m of investments. The profile of these investments is shown below.

Institutional Sector	Liquid £m	Up to 3 months £m	Up to 6 months £m	Up to 9 months £m	Up to 12 months £m
Part Nationalised Banks	-	-	-	-	-
UK Banks	4.0	-	-	-	-
Non-UK Banks	-	-	-	-	-
UK Banks with non-UK ultimate parent	-	5.0	-		
Building Societies	-	-	-	-	-
Other*	8.0	-	-	-	-
Total	**12.0**	**5.0**	**-**	**-**	**-**

*Includes: Money Market Funds

b. A more detailed investment profile at 30th September 2024 is shown at Appendix 1.

4.4 The average interest rate earned for the year to date is 4.89%.

4.5 Gross interest earned for the period 1st April 2024 to 30th September 2024 was £0.589m.

5. Counterparty Maintenance

5.1 The PCC CFO is responsible for maintaining an Approved Counterparty List in accordance with the criteria as set out in the approved Annual Investment and Treasury Strategy 2023/24. Credit rating information is supplied by our treasury consultants on all active counterparties. Any rating changes, rating watches (notification of a likely change) and rating outlooks (notification of a possible longer-term change) are provided by our treasury consultants immediately they occur. A wide range of market information such as Credit Default Swap prices and share price is also taken into account. The Approved Counterparty List is therefore actively managed on a day-to-day basis and when an institution no longer meets the PCC approved counterparty criteria, it is immediately removed.

- There have been no credit rating downgrades during the period 1st April 2024 to 30th September 2024 that have resulted in counterparties being removed from the authorised counterparty list.

6. Long Term Borrowing/Debt Management

6.1 The PCC undertakes capital expenditure on long-term assets. This activity gives rise to the need to borrow. Part of the PCC's treasury management activity is to address this borrowing need, either through long term borrowing from external bodies (PWLB or commercial banks) or utilising temporary cash resources within the PCC pending long term borrowing.

6.2 In accordance with the approved 2024/25 Investment and Treasury Strategy, the PCC continues to delay new borrowing for capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term. Delaying borrowing and running down the level of investment balances also reduces the PCC's exposure to investment counterparty risk.

6.3 At the 30th September 2024, the PCC's external borrowing (debt outstanding, excluding PFI) totaled £30.1m (PWLB)

6.4 The PCC's overall capital financing requirement (excluding PFI & ROU Leases) at 31.3.24 was £49.9m. The capital financing requirement at 31.3.25 projected in the 2024-28 MTFP is £54.7m. This represents unfunded capital expenditure for which approved borrowing can be drawn down. The PCC's CFO, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks identified in the economic forecast (Section 2).

6.5 The Public Works Loans Board (PWLB) provides a facility to restructure debt, including early repayment of loans and encourages local authorities to do so when circumstances permit. This can result in net savings in overall interest charges. Current circumstances do not suggest that refinancing existing PWLB debt would be economically prudent due to the significant repayment penalties. However prevailing PWLB interest rates continue to be monitored in order to identify repayment opportunities.

6.6 At no point during the period 1 April 2024 to 30 September 2024 has borrowing exceeded either the Operation Boundary Limit or the Authorised Limit for External Debt set in the 2024/25 Investment and Treasury Strategy.

7. Other

7.1 In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial and environmental sustainability

A report setting out our Capital Strategy will be included in the Budget and Medium Term Financial Plan 2025/29 which will be presented to the Police and Crime Panel in early 2025.

8 Conclusion

8.1 The Mid-Year Treasury Management Monitoring Report 2024/25 provides information on the Treasury Management activities of the PCC for the period 1st April 2024 to 30th September 2024.

9 Recommendation

9.1 It is recommended that Audit Committee notes the Mid-Year Treasury Management Monitoring Report 2024/25.

Appendix 1

CURRENT INVESTMENTS				
Start	Repay	Borrower	Rate	Amount
19/09/2024	21/10/2024	DBS Bank Ltd	5.31%	£5,000,000
13/09/2024	Instant Access	Barclays Bank	4.00%	£3,500,000
06/09/2024	Instant Access	Lloyds Bank	4.88%	£500,000
03/07/2024	Instant Access	CCLA	5.00%	£3,000,000
19/09/2024	Instant Access	CCLA	5.00%	£5,000,000
				£17,000,000

Audit Committee - Forward Work Plan

Meeting date: 28 January 2025

Action	Outcome / Owner
Morning Briefing	VFM/Fraud and Economic crime
Welcome and apologies	Noted
Declarations of Interest	Noted
Minutes of Meeting **15 October 2024**	Noted
Actions from previous meeting	Noted
Internal Audit Summary of Internal Control 2024/25	Reports from Head of Internal Audit
Treasury Management 2024/25 Half Year Update 2025/26 Draft Strategy	Report from Chief Finance Officer (CFO)
Audit Committee Effectiveness (Skills)	Report from CFO
Forward Work Plan	Report from CFO
Part 2 Private Agenda	Noted
Minutes of meeting **15 October 2024**	Noted
Actions from previous meeting	Action Log
Fraud Update – Part 2 private agenda	Verbal update

Meeting date: 25 March 2025

Action	Outcome / Owner
Morning briefing	Benchmarking
Welcome and apologies	Noted
Declarations of Interest	Noted
Minutes of Meeting **28 January 2025**	Noted

Action	Outcome / Owner
Actions from previous meeting	Noted
Internal Audit 2024/25 Summary of Internal Control 2025/26 Final Audit Plan	Reports from Head of Internal Audit
Forward Work Plan	Report from Chief Finance Officer (CFO)
Part 2 Private Agenda	Noted
Minutes of meeting **28 January 2025**	Noted
Actions from previous meeting	Action Log
Fraud Update – Part 2 private agenda	Verbal update
Strategic Risk Register update– Part 2 private agenda	Report from Chief Exec and Chief Constable

Meeting date: 22 July 2025

Action	Outcome / Owner
Morning briefing	Value for Money/Fraud and Economic Crime
Welcome and Apologies	Noted
Declarations of Interest	Noted
Minutes of meeting **25 March 2025**	Noted
Actions from previous meeting	Action Log
Internal Audit Summary of Internal Control 2025/26 Draft Annual Report	Reports from Head of Internal Audit (TIAA)
Audit Committee Annual report	Report from Chair and C F O
Accounting Policies	Report from C F O
Forward Work Plan	Report from C F O
Part 2 Private Agenda	Noted
Minutes of meeting **25 March 2025**	Noted
Actions from previous meeting	Action Log
Fraud Update – Part 2 private agenda	Verbal update

Meeting date: 14 October 2025

Action	Outcome / Owner
Morning Briefing	Risk appetite and budget challenges/ Reoffending prevention work
Welcome and Apologies	Noted
Declarations of Interest	Noted
Minutes of meeting **22nd July 2024**	Noted
Actions from previous meeting	Action Log
External Audit 2023/24 Annual Audit Results report 2022/23 Final VFM report	Report from Director, Ernst and Young
Internal Audit 2024/25 Summary of Internal Control	Reports from Head of Internal Audit
Forward Work Plan	Report from CFO
Part 2 Private Agenda	Noted
Minutes of meeting **22nd July 2024**	Noted
Actions from previous meeting	Action Log
Fraud Update – Part 2 private agenda	Verbal Update
Strategic Risk Register update– Part 2 private agenda	Report from Chief Exec and Chief Constable

Note:

Report author: Simon George, Chief Finance Officer