

OFFICE OF THE POLICE & CRIME  
COMMISSIONER FOR NORFOLK



**NORFOLK**  
CONSTABULARY  
*Our Priority is You*

## AUDIT COMMITTEE

**Tuesday 18 July 2017 at 2 pm**  
**Wroxham Room, Jubilee House, Falconers Chase,**  
**Wymondham, Norfolk NR18 0WW**

## A G E N D A

**Note for Members of the Public:** If you have any specific requirements to enable you to attend the meeting, please contact the OPCCN (details overleaf) prior to the meeting.

### Part 1 – Public Agenda

1. Welcome and Apologies - DCC Nick Dean
2. Declarations of Personal and/or Prejudicial Interests
3. To approve the minutes of the meeting held on 7 June 2017
4. Draft Statements of Account 2016/17  
PCC and Group  
Chief Constable
5. Forward Work Plan 2017/2018
6. Date of Next Meeting

Tuesday 5 September 2017 at 2 pm in the **Wroxham Room**, Jubilee House, Falconers Chase, Wymondham, Norfolk.

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[opccn@norfolk.pnn.police.uk](mailto:opccn@norfolk.pnn.police.uk) 联系诺福克警察和犯罪事务专员办公室。

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**MINUTES OF THE AUDIT COMMITTEE MEETING  
HELD ON WEDNESDAY 7 JUNE 2017 AT 2 PM  
IN THE WROXHAM ROOM, JUBILEE HOUSE,  
FALCONERS CHASE, WYMONDHAM**

**Attendance:**

Mr R Bennett (Chairman)  
Mrs J Hills  
Mr P Hargrave  
Ms A Bennett

Also in attendance:

Mr J Hummersone	Chief Finance Officer (CFO)
Mr P Sanford	T/ACC
Mr C Harris	Head of Internal Audit, TIAA
Ms F Dodimead	Director of Audit, TIAA
Mr P Jasper	Head of Joint Finance
Mr J Mann	Performance and Security Officer
Miss A Taylor-Pope	OPCC

**Part 1 – Public Agenda**

**1. Welcome and Apologies**

The Chairman welcomed those present. Apologies were received from Mr R Chapman, DCC Nick Dean and Mr Mark Stokes.

**2. Declarations of Personal and/or Prejudicial Interests**

None reported.

**3. To confirm the minutes of the meeting held on 2 December 2016**

The minutes were **agreed** and signed by the Chairman.

#### **4. Reports from the Head of Internal Audit – (TIAA)**

##### **Progress Report (2016/17 and 2017/18)**

The Committee was aware that a number of previously considered audit reports had made reference to ERP issues. The CFO reported that a contractor has been appointed to lead on the ERP improvement work. The work was being overseen by a Programme Board.

**The Committee requested** that the CFO keep the Committee updated on progress.

The 2016/17 Audit Plan had been completed and 6 final reports issued and agreed (4 with Reasonable Assurance and 2 with Substantial Assurance).

It was noted that the 2017/18 Plan was in progress with a number of audits booked in. For various reasons activity was likely to be concentrated in quarters 3 and 4. TIAA confirmed that this was not a concern.

The Committee was reminded of the Plan approval process and raised various questions on the Complaints and Key Financial Controls audits.

##### **Follow-Up Review – Previous Audit Reports**

**The Committee noted** really good progress with the completion of outstanding recommendations. Some 50 (75%) had been completed since the last meeting; 17 (25%) remained outstanding. TIAA had a monthly process to chase outstanding recommendations. The Committee welcomed the format of the report which highlighted the direct of travel (improving).

##### **2016/17 Head of Internal Audit Annual Report**

**The Committee welcomed** the positive Head of Internal Audit Opinion and noted that this had been included in the Annual Governance Statement (AGS). Of the 25 audit reviews carried out, 20 (80%) had received Reasonable or Substantial Assurance and 5 (20%) had received Limited Assurance (one of these was a Suffolk only audit). Most of the recommendations in the 4 Limited Assurance reviews had been completed and the Committee noted that there were no 'significant' control issues to be recorded in the AGS.

#### **5. Review of Accounting Policies – 2016/17 Statements of Accounts**

**The Committee noted** that there had been no significant changes (from the prior year) in the Policies.

The Head of Finance answered a question on provisions for compensation payments and the Chairman reminded the Committee that the draft accounts would be considered at the July meeting of the Committee.

**6. Review of the effectiveness of the system of internal control and the draft Annual Governance Statement (AGS) for 2016/17**

The CFO introduced the report. The AGS had to cover the period up to the signing of the accounts (5 September) and would need to be updated. The draft AGS would be published with the draft accounts on or before 30<sup>th</sup> June 2017.

Some changes might also be required to the suite of Corporate Government documents as a result of any changes to the PCC's responsibilities pursuant to the Policing and Crime Act 2017. This would be attended to in the autumn.

The review of the system of internal control and the draft AGS had been overseen by the Corporate Governance Working Group. The Group had concluded that the system of internal control and governance was fit for purpose. The Audit Committee was also in a position to endorse the arrangements in place through its oversight of both governance and internal audit arrangements. The Head of Internal Audit's Annual Assurance Report 2016/17, previously considered, included a positive opinion on the adequacy and effectiveness of the risk management, control and governance processes.

**The Committee noted** the review and the draft AGS.

**7. Audit Committee Annual Report 2016/17**

**The Committee approved** the Annual Report and **it was agreed** that the report would be sent to the PCC and Chief Constable under cover of a letter from the Chairman.

**8. External Audit Fees 2017/18**

The CFO updated the Committee on the letting of external audit contracts for 2018/19 via Public Sector Audit Appointments Limited.

**The Committee noted** the audit fees for Ernst and Young LLP for 2017/18:-

Police and Crime Commissioner (and Group)	£33,825
Chief Constable	£15,000

**9. Forward Work Plan**

**The Committee noted** the forward work plan. Further dates would be canvassed.

Meeting closed at 3:45 pm.

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**Mr R Bennett**  
**CHAIRMAN**



OFFICE OF THE POLICE & CRIME  
COMMISSIONER FOR NORFOLK

# **THE POLICE AND CRIME COMMISSIONER FOR NORFOLK**

## **GROUP AND PCC STATEMENT OF ACCOUNTS**

**31 March 2017**

**DRAFT**

**Statement of Accounts**  
**for the year ended 31 March 2017**

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

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# Statement of Responsibilities for the Statement of Accounts

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

The PCC for Norfolk must:

- Arrange for the proper administration of the PCC 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 Financial 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

I approve the following Statement of Accounts:

**Lorne Green**  
**Police and Crime Commissioner for Norfolk**

**September 2017**

## The Chief Financial Officer of the PCC for Norfolk Responsibilities

The CFO PCC 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 CFO PCC has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice and its application to local authority accounting.

The CFO PCC has also:

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

## Certificate by Chief Financial 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 2017, and its income and expenditure for the year to that date.

**John Hummersone FCPFA**

**June 2017**

## Chair of Audit Committee

These accounts were reviewed by the Audit Committee on behalf of the PCC on September 2017.

**Rob Bennett**

**September 2017**

# Narrative Report



## Message from the Police and Crime Commissioner, Lorne Green

The budget for 2016/17 was set by my predecessor and these accounts cover the first ten and a half months of my term of office from May 2016. It has become clear to me during this time that the financial position is extremely challenging. Demand pressures are continuing; inflation is rising and our funding is cash flat (the 2% increase in the council tax offsetting reductions in government grant). Despite this, the Chief Constable is working hard to deliver the strategic aims of my Police and Crime Plan. These include an increase in visible policing and good stewardship of taxpayers' money. These Accounts are part of the evidence of good stewardship.

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

- understand the overarching financial position of the Police and Crime Commissioner and Constabulary (the PCC Group) for the year ended 31st March 2017,
- have confidence that the public money entrusted to the Police and Crime Commissioner (PCC) has been used and accounted for in an appropriate manner,
- be assured that the financial position of the PCC Group is secure.

The format and content of the accounts complies with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the "Code") which includes the relevant International Financial Reporting Standards (IFRS).

The Chief Finance Officer's section of the Narrative Report, on page 5, explains how the financial (management accounting) outturn report links to the figures in the Comprehensive Income and Expenditure Account. 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](http://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 and Young LLP), and in this way members of the public can take assurance that there has been proper use of public money, and also value for money.

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

The production of these Accounts 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 deep appreciation to them all.

**Lorne Green**

**Police and Crime Commissioner for Norfolk**



## Narrative Report by the Chief Finance Officer, John Hummersone

### Introduction

This Narrative Report provides information about the Office of the Police and Crime Commissioner for Norfolk, and Norfolk Constabulary (together being the PCC Group), including the key issues affecting the Group and its accounts. It also provides a summary of the financial position at 31st March 2017, and is structured as below:

1. The policing context for Norfolk
2. Impact of the governance arrangements on the Financial Statements of the PCC and Chief Constable
3. Explanation of the Financial Statements
4. The 2016/17 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Looking forward

### 1. The policing context for Norfolk

#### Information about the Office of the Police and Crime Commissioner for Norfolk

Under the Police Reform and Social Responsibility Act 2011 (the Act) the Police and Crime Commissioner for Norfolk (PCC) and the Chief Constable (CC) for Norfolk Constabulary were established as separate legal entities. Corporate governance arrangements for the PCC and Chief Constable have been reviewed and a commentary on their effectiveness is set out in the joint Annual Governance Statement for the PCC and CC 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 CC 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 2016/17 were approved by the previous PCC, Stephen Bett in February 2016. The new PCC, Lorne Green, was elected in May 2016, and has made subsequent approvals to amendments in the capital programme, and has been holding the Chief Constable to account for financial performance from the point of election to year-end. Lorne Green will sign the accounts of the Group and PCC.

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

## The County of Norfolk

Norfolk is the fifth largest county in England with a land area of 2,077 square miles with approximately 100 miles of coastline. The June 2015 census estimated Norfolk's population at 884,978, an increase of 7,268 on the previous year (2016 estimate is due for release June 2017)<sup>1</sup>. Although a predominantly rural area, around 40% of Norfolk's population live in the four main urban areas of Norwich, Great Yarmouth, King's Lynn and Thetford.

Norfolk has a much older age profile than England as a whole, with 23.0% of Norfolk's population aged 65 and older compared with 17.3% in England<sup>2</sup>. Over the next ten years there is a projected growth of 60,600 people in Norfolk with those aged 75-84 projected to increase by a third and those aged 85 and over projected to increase by almost 40%<sup>3</sup>.

As a popular tourist destination, Norfolk receives more than three million overnight visitors per year and 39,665,000 day trips are made<sup>4</sup>. Around 60,000 jobs are directly supported by tourism<sup>5</sup>. The transient populations associated with tourism impact on the policing of Norfolk to varying extents at different times of the year. Other significant employers in the Norfolk economy include the public sector, agriculture, retail and engineering. Tackling crime within rural communities has been highlighted as one of the priorities in the new Police and Crime Plan recently issued by the Police and Crime Commissioner. Norfolk Constabulary support hundreds of events throughout the year including, Norwich City football matches, Norwich Pride, the Sundown music festival, and numerous other local carnivals and occasions. Norfolk Constabulary also police the Royal Estate at Sandringham.

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

### Changing demand

Demand for policing in Norfolk has changed over the past five years. This is coupled with a rise in the cost of dealing with crime due to the increased complexity.

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

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

Dealing with this change in demand presents a significant challenge for the Constabulary, as the organisation strives to maintain the highest level of service to the communities of Norfolk, with a reduced workforce and the financial legacy of successive budget cuts.

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<sup>1</sup> Mid 2015 Population Estimates, Office of National Statistics: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland> [last accessed 20/04/2017]

<sup>2</sup> Older People's Health and Wellbeing, Public Health England: <https://fingertips.phe.org.uk/profile/older-people-health/data#page/4/gid/1938133101/pat/6/par/E12000004/ati/102/are/E06000015> [Last accessed 20/04/2017]

<sup>3</sup> Norfolk Police and Crime Commissioner Statement of Accounts 2015-16: <http://www.norfolk-pcc.gov.uk/documents/finance/annual-accounts/statement-accounts/201516/NorfolkPCCStatementofAccounts2015-16.pdf> [last accessed 21/04/2017]

<sup>4</sup> The Economic Impact of Tourism, World Travel & Tourism Council, 2014: <https://mediafiles.thedms.co.uk/Publication/ee-nor/cms/pdf/Economic%20Impact%20of%20Tourism%20-%20Norfolk%202014.pdf> [last accessed 20/04/2017]

<sup>5</sup> Visit Norfolk, 2015: <http://www.visitnorfolk.co.uk/Tourism-info-and-stats.aspx> [last accessed 20/04/2017]

To respond to this the Constabulary is looking to shape its future through a change programme, Norfolk 2020.

Norfolk 2020 is an in-depth review of frontline policing and the changes required to deliver services effectively in the future, against the backdrop of reduced funding and changing demand.

The review was commissioned by the Chief Constable in September 2015, with the aim of developing a long-term vision for policing in the county. It is the most comprehensive assessment of frontline services undertaken by the force in recent years.

The review covers every aspect of policing within these areas, to identify the most effective ways to deliver services in the future and protect individuals and communities from harm. This is supported by an extensive programme of internal and external consultation, to gather the views of officers, staff, partners and the public. Norfolk 2020 is about making sure we can maintain the Constabulary's high standard of service in the future, by building on what we do well and making improvements and investments where they need to be made.

More information on other aspects of the approach to change are in the Looking Forward section of this Narrative Report.

### **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 seven years, with the programme of collaborative work delivering a number of joint units and departments in 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 (HMIC).

Areas of collaboration outside of Norfolk/Suffolk include Eastern Region Special Operations Unit (ERSOU), a specialist unit with a remit for tackling serious and organised crime in the Eastern Region. ERSOU comprises resources from the following police forces: Norfolk, Suffolk, Essex, Cambridgeshire, Bedfordshire and Hertfordshire. There is also a 7 Forces Strategic Collaboration Programme currently scoping other areas for collaboration and savings.

The Policing and Crime Act 2017 received Royal Assent on 31<sup>st</sup> January 2017. The Act includes a duty, in England, for emergency services to collaborate. It also gives the opportunity for PCCs in England to take over the governance of their local fire and rescue services should a business case demonstrate this is in the interests of the local communities.

The proposed new duty is aimed at spreading existing best practice across all areas of the emergency services, making collaboration common practice. The Home Secretary says it would ensure that all opportunities to improve efficiency and effectiveness between the emergency services are fully explored whilst allowing decisions to be taken at a local level.

Within this context, Norfolk Constabulary and Norfolk Fire and Rescue Service have further strengthened their working relationship. During 2016, the Norfolk Fire and Rescue Services Senior Management Team moved into Norfolk Constabulary's headquarters in Wymondham, meaning the highest ranking officers of both services are working closer together. This move aims to establish a more joined up approach between the two services and deliver an improved service to Norfolk's communities while also providing savings to taxpayers.

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, the Family Focus Project, Norfolk 180 and the local Safer Neighbourhood Action Panels. Norfolk Constabulary is committed to finding long term sustainable solutions to problems of crime and disorder, working together with partners and the communities in an evidence-based problem solving way and supporting innovation at a local level.

## **PCC Grants and Commissioning**

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

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

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

In 2016/17, the OPCCN had a total commissioning budget of £2.121m, comprising:

- OPCCN commissioning budget of £1.018m
- Ministry of Justice funding stream of just under £1.103m, specifically for the commissioning of support services for victims of crime.

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

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

The Scheme of Governance and Consent sets out the roles and responsibilities of the 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.

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

Therefore, the Chief Constable fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the PCC. The Chief Constable ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over the force's police officers and employs police community support officers (PCSOs) 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.

In particular, it should be noted that 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, and transfer liabilities to the Chief Constable's Balance Sheet for employment and post-employment benefits 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 2016/17 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 raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. Adjustments made between the accounting and funding bases are shown in the Movement in Reserves Statement.
- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **The Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.
- **The Cash Flow Statement** shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a 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 £1k 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.

#### Prior Period Adjustments

There have been significant changes in the CIPFA Code of Practice for 2016/17 that materially affect the disclosures in the Statements of Accounts, and require Prior Period Adjustments.

As a result of the "Telling the Story" review of the presentation of local authority financial statements, significant changes have been made to the format of primary statements. This includes an abbreviated

Movement in Reserves Statement (MIRS), a change in the objective basis for the Comprehensive Income and Expenditure Statement (CIES) and the introduction of a new statement, the Expenditure and Funding Analysis (EFA).

Within the (CIES), the objective basis for presentation has changed from SeRCOP (Service Reporting Code of Practice) to that used for segmental reporting. Reportable segments are those used for internal management reporting.

The EFA is a new disclosure requirement and demonstrates to council tax payers how the funding available to the PCC for the year has been used in providing resources in comparison with those resources consumed or earned by the PCC in accordance with generally accepted accounting practices. The EFA and the associated notes reconcile the movements between the CIES and the statutory funding basis. The EFA is disclosed on a segmental basis.

#### **4. The 2016/17 Revenue and Capital Budget Process**

A joint financial planning process took place between September 2015 and January 2016 in accordance with a timetable previously agreed by the Norfolk and Suffolk Chief Constables.

An enhanced “scrutiny” process was developed to facilitate the development of the 2016/17 budget and spending plans over the medium-term. This process involved Senior Managers attending Chief Officer Challenge Panels to review strategic issues, savings proposals, growth pressures and capital spend requirements. The process concluded with Norfolk and Suffolk Chief Constables reviewing the outcomes from the panel reviews, and agreeing 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. Two open public consultation meetings were held in Norwich and King’s Lynn by the former PCC on 13th and 18th January 2016 respectively.

The Office of the Police and Crime Commissioner also ran an online poll seeking residents’ views on the levels of council tax for 2016/17.

The PCC considered views from the community, key stakeholders and public sector bodies, as a result the PCC proposed a council tax freeze. However, this was vetoed by the Police and Crime Panel who met again on the 16<sup>th</sup> February 2016 and agreed a revised proposal of an increase of just under 2%.

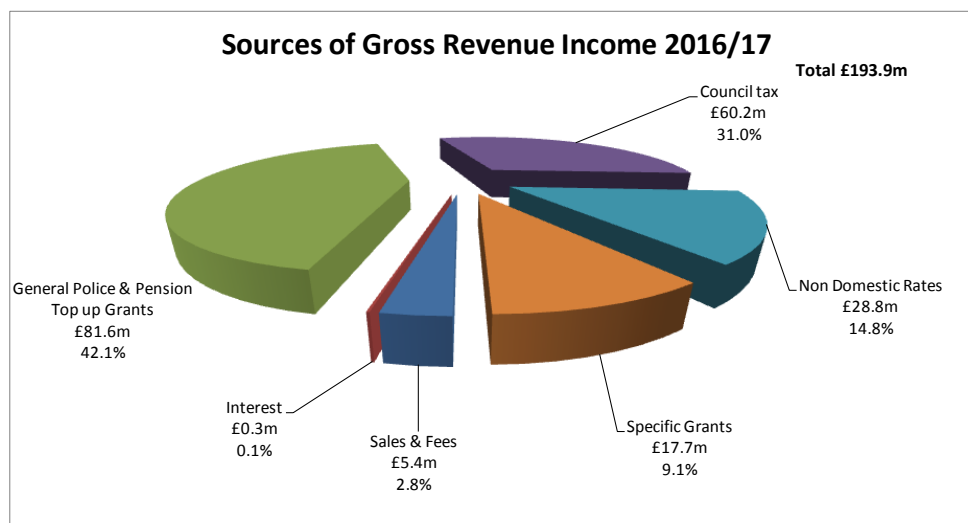
These spending plans were then incorporated into the Medium-Term Financial Plan of the former PCC, Stephen Bett, that covered the period 2016/17 to 2020/21 and was signed off in February 2016.

The Medium-Term Financial Plans for the PCC are available on [www.norfolk-pcc.gov.uk](http://www.norfolk-pcc.gov.uk)

#### **5. Financial Performance**

##### **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 2016/17:



## Revenue Budget

In February 2016, the former PCC approved a net revenue budget for 2016/17 of £148.928m. The council tax for a Band D property for 2016/17 was £212.94 (2015/16 £208.80) following his decision to increase the Council Tax by nearly 2%.

## Savings plans

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

Savings plans of £5.143m were identified for 2016/17, and those savings have been achieved. The impact of the Home Office Grant Settlement for 2017/18 is a 1.4% cash reduction and there is a savings requirement of £3.795m. 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 2017/18 and what this means for the Constabulary over the medium-term in the Looking Forward section below.

## Revenue Expenditure Compared to Budget.

For Budgeting purposes the Revenue Budget is compiled and controlled as set out in the following table:

	Budget £000	Final outturn £000	Variance £000
Constabulary	157,119	158,353	(1,234)
Office of the PCC	957	961	(4)
PCC Commissioning	1,018	612	406
OPCC - Grants	(11,219)	(11,220)	1
Capital Financing	10,835	3,977	6,858
Net total contributions to / (from) earmarked reserves	(9,782)	(3,755)	(6,027)
<b>Total Net Expenditure</b>	<b>148,928</b>	<b>148,928</b>	<b>-</b>
Grants and non-domestic rates income	88,298	88,298	-
Precept Income (before collection fund balance adjustment)	60,630	60,630	-
<b>Transfer from/(to) general reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Total Net Expenditure in the above table is different to Net Cost of Police Services reported in the CIES (shown on page 16), which is prescribed by the Code of Practice. The difference primarily relates to accounting adjustments required by the Code. The reconciliation between the two amounts is shown in the table below.

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
146,780	<b>Total Net Expenditure per Outturn Report</b>	148,928
(3,558)	Revenue funding of capital	(2,435)
(4,773)	Minimum Revenue Provision (MRP)	(1,537)
5,665	Depreciation, amortisation and impairments	6,192
12	Financial Instrument Adjustment Account amount released in year	-
(18)	Profit and loss on disposal of assets charged to the general fund	(4)
36,689	IAS 19 pension service costs (accounting basis)	27,990
(21,624)	Pension contributions (funding basis)	(21,955)
211	Movement on employee benefits accrual	84
8,183	Transfers from/(to) reserves	3,755
265	Interest received	254
(7,172)	Interest payable	(7,095)
<b>160,659</b>	<b>Net Cost of Police Services</b>	<b>154,177</b>

## Capital Budget

The Capital Programme for 2016/17, including slippage from 2015/16 and in-year approvals, was £14.639m. Actual expenditure against this total was £6.640m. The under-spend of £7.999m was primarily due to re-profiling of major estates schemes. Actual expenditure includes an amount of £0.278m 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 (£0.647m), revenue contributions (£0.153m), the Capital Financing Reserve (£2.283m), internal borrowing (£2.557m) and capital receipts (£0.723m).

## 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 table:

<b>Year-end</b>	<b>Total</b>	<b>Officers</b>	<b>Staff</b>
31 March 2017	£1,721m	£1,632m	£89m
31 March 2016	£1,372m	£1,325m	£47m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,819m at 31 March 2017, however, the financial position of the PCC remains sound as these liabilities will be spread over many years.

### 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 £25.9m.

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 2 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 £36.4m.

## **Reserves**

As at 31 March 2017, the PCC has usable reserves of £25.259m which are available to support revenue and capital spending. These include a general reserve made up of earmarked balances of £20.784m (against which there are significant commitments), and a general balance of £4.475m. These reserves are not fully supported by cash balances, primarily due to capital expenditure in some prior years being financed from cash.

## **Treasury Management**

The PCC has agreed a Treasury Management Strategy which complies with CIPFA guidance. During 2016/17, the PCC continued to 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 2016/17 was £35.4m and the interest received against the budget of £0.290m was £0.236m. The overall return of 0.67% exceeded the benchmark of the Local Government 7 day rate average of 0.19% by 0.48%, and the 3m LIBOR average of 0.44% by 0.23%

## **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](http://www.norfolk-pcc.gov.uk).

## **6. Non-financial performance**

The year to the end of March 2017, the first year in office for the current PCC, saw a continuing decline in certain crime types and offending within the county. The Force's Performance Framework which reports the rolling 12 month average compared to the previous three year rolling average, reported Anti-Social Behaviour had fallen by 6% and Burglary Dwelling and Burglary Non-Dwelling had fallen by 1% and 3% respectively. Areas of increase included Serious Sexual Offences which had increased by 14% but the encouragement of victims to report crimes and subsequent support through trial to prosecution is likely to have had a bearing on this.

Other areas of increased criminality such as Robbery, up 113% and Serious Violence up by 28%, (increases that have been highlighted nationally) has been impacted upon by positive action around Operation Gravity – the disruption of drug trafficking and supply from out of county criminal organisations. While these organisations work to import this commodity and protect their interests through the use of violence and intimidation, a level of hidden harm has been identified beyond the purchasers and involving the young traffickers and distributors used as well as those called upon to house them while they establish their market.

The method of how Norfolk Constabulary has analysed and targeted county lines is being used by other forces in the region, and there has been a lot of co-operation between Norfolk, the Metropolitan Police and regional partners to successfully disrupt the activity, provide positive outcomes through custodial sentences and starting the process of dismantling the organised crime groups.

Norfolk's response to the criminal targeting of vulnerable individuals has led to the force being marked as 'good' for Safeguarding and forms the backbone of the Force's Strategic Assessment. Produced in October 2016, it uses the MoRiLE (Management of Risk in Law Enforcement) process to score Threat, Risk and Harm areas as a basis for the Joint Control Strategy and prioritisation of strategic profiles. One of the core priorities set by the present PCC was to 'Support victims and reduce vulnerability' so the first tranche of profiles looks to address many such areas of vulnerability:

- Child Sexual Abuse
- Serious Sexual Offences
- Modern Day Slavery
- Sickness and Absence Management

- Victims' Code
- Stalking and Harassment

Joint Control Strategy performance is being reported on as part of the new Police and Crime Plan 'report cards' within the Norfolk and Suffolk Performance Frameworks. These cards will flag any exceptions that occur when comparing recent rolling averages to longer term ones, such as those mentioned above. The Performance Framework itself will be moving to a new platform and interface in the next year or so which should also make reporting and delivery of reports an altogether better experience for the end user.

The Police and Crime Plan 2016-2020 was recently released by Lorne Green, the Police and Crime Commissioner. In the plan it lists the priorities for tackling crime in Norfolk<sup>6</sup>:

- 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

Within these priorities are new performance indicators (such as; the number of first-time entrants into the criminal justice system, the number of hours worked by the Special Constabulary in rural areas and crime survey and satisfaction data) which will be used to measure how well Norfolk Constabulary is meeting the objectives within the plan.

## 7. Looking Forward

The financial context for police forces remains very challenging. Since 2007/08 government funding to Norfolk Constabulary has reduced by nearly £12m, and when taking inflation into account this is approximately £32m in real terms.

In the provisional Police Grant Report, the Minister of State for Policing and the Fire Service stated "direct resource [revenue] funding for each PCC, including precept, will be protected at flat cash levels compared to 2015/16, assuming that precept income is increased to the maximum amount available in both 2016/17 and 2017/18."

In reality this means that a number of growth pressures must be absorbed, e.g. 1% cost of living increase, inflation, increases in demand from the changing nature of crime (e.g. in crimes against vulnerable people, and cybercrime); statutory changes such as the apprenticeship levy, pension increases and auto-enrolment into pension schemes. These demands add approximately £6m worth of budgetary pressure a year.

For 2017/18 the Constabulary has identified £3.8m of savings to balance the budget and over the life of the Medium Term Financial Plan (MTFP) this figure rises to £6.6m by 2020/21. Even with this level of identified savings, this leaves an additional savings requirement of £3m to be identified by 2020/21. In order to achieve this level of savings and ensure the policing model is as efficient as possible the Constabulary has developed a new change programme. This has focussed on three strands: the Service and Financial Planning process underpinned by Outcome Based Budgeting (OBB) principles; continuing the development of the Norfolk Local Policing (2020) Review; and Regional Collaboration.

All of these proactive elements, that use demand, performance and priority data will shape the new change programme and be captured in future MTFPs to support the continued transformation and modernisation of policing. It is clear that the change programme will need to remain a continuous process, ensuring that savings can be driven out in a timely fashion to ensure budgets can be balanced over the medium-term and beyond.

Due to the continuing pace of modernisation, and ensuring that the Force is fit-for-purpose, appropriately equipped and has an appropriate estate footprint, there is an increased requirement for capital spending over

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<sup>6</sup> Police & Crime Plan 2016 – 2020, Office of the Police & Crime Commissioner for Norfolk, 2016: <http://www.norfolk-pcc.gov.uk/documents/key-documents/police-and-crime-plan/PoliceAndCrimePlan.pdf> [last accessed 20/04/2017]

the medium-term. This includes significant investment in refreshing the growing ICT / digital estate; increasing investment in infrastructure e.g. in networks and servers to deal with the growth in requirements for investigating and storing digital data; new enabling programmes such as Body Worn Video, mobile working and the Emergency Services Network.

The growth of the investment in these “short life” capital assets will need to deliver efficiencies in staffing to avoid putting undue pressure on revenue reserves over the medium-term. Over the last few years, reserves have been used appropriately to fund the capital programme in respect of short life assets, the cost of change (e.g. redundancies arising from implementing the significant change programme), and planned temporary staffing costs to respond to service pressures, and transition programmes. Careful consideration has been given to reserve levels over the medium-term, and beyond particularly by modelling capital financing over the next 20 years.

The MTFP therefore includes planned contributions to reserves in 2019/20 and 2020/21 in order to ensure that sufficient reserves are available for the medium and longer-term. This will require additional savings to be found, and is a significant driver for further development of the change programme over the coming months and years.

The police service faces further challenges in the future, including the ongoing review of the police funding model by central government, and the funding arrangements, for example, for the Emergency Services Network that will see a national joined up blue light communications system, as well as continuing investment in modernising the service through digital technology such as mobile working and Body Worn Video.

These 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.

**John Hummersone FCPFA**

**Chief Finance Officer**

# Draft Comprehensive Income and Expenditure Statement

## for the PCC for Norfolk Group

### for the year ended 31 March 2017

Gross Expenditure		Net Expenditure			Gross Expenditure		Net Expenditure	
2015/16	2015/16	2015/16			2016/17	2016/17	2016/17	
Restated	Restated	Restated		Note	£000	£000	£000	
£000	£000	£000						
<b>Division of Service:</b>								
171,296	(13,586)	157,710	Chief Constable		166,764	(10,699)	156,065	
13,919	(11,785)	2,133	PCC's Office		8,925	(11,444)	(2,518)	
1,796	(981)	815	PCC Commissioning		1,832	(1,201)	631	
<b>187,011</b>	<b>(26,352)</b>	<b>160,659</b>	<b>Net Cost of Police Services</b>	<b>Page 24</b>	<b>177,520</b>	<b>(23,343)</b>	<b>154,177</b>	
<b>Other Operating Expenditure:</b>								
-	(21,844)	(21,844)	Home Office contribution to police pensions	<b>8</b>	-	(22,090)	(22,090)	
34	-	34	Loss/(profit) on disposal of fixed assets		81	-	81	
<b>34</b>	<b>(21,844)</b>	<b>(21,811)</b>			<b>81</b>	<b>(22,090)</b>	<b>(22,008)</b>	
<b>Financing and Investment Income and Expenditure:</b>								
7,172	-	7,172	Interest payable and similar charges		7,095	-	7,095	
50,111	-	50,111	Pensions interest cost	<b>17</b>	48,410	-	48,410	
-	(265)	(265)	Interest and investment income		-	(254)	(254)	
<b>57,283</b>	<b>(265)</b>	<b>57,018</b>			<b>55,505</b>	<b>(254)</b>	<b>55,251</b>	
<b>Taxation and Non-specific Grant Income:</b>								
-	(59,811)	(59,811)	General grants	<b>8</b>	-	(59,523)	(59,523)	
-	(1,654)	(1,654)	Capital grants and contributions	<b>8</b>	-	(1,142)	(1,142)	
-	(28,939)	(28,939)	Non-domestic rate redistribution	<b>8</b>	-	(28,774)	(28,774)	
-	(57,877)	(57,877)	Precepts	<b>11</b>		(60,206)	(60,206)	
<b>-</b>	<b>(148,282)</b>	<b>(148,282)</b>			<b>-</b>	<b>(149,646)</b>	<b>(149,646)</b>	
		<b>47,585</b>	<b>Deficit/(Surplus) on the Provision of Services</b>				<b>37,774</b>	
<b>Other Comprehensive Income and Expenditure:</b>								
		(194)	(Surplus) / deficit on the revaluation of assets	<b>13</b>			(4,094)	
		(193,693)	Remeasurements of the net defined benefit liability (asset)	<b>17</b>			316,860	
		<b>(193,887)</b>					<b>312,766</b>	
		<b>(146,302)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>350,540</b>	



**Draft Comprehensive Income and Expenditure Statement**  
**for the PCC for Norfolk**  
**for the year ended 31 March 2017**

Gross Expenditure 2015/16 Restated £000	Income 2015/16 Restated £000	Net Expenditure 2015/16 Restated £000		Gross Expenditure 2016/17 £000	Income 2016/17 £000	Net Expenditure 2016/17 £000
			<b>Note</b>			
			<b>Division of Service:</b>			
13,919	(11,785)	2,133	PCC's Office	8,925	(11,444)	(2,518)
1,796	(981)	815	PCC Commissioning	1,832	(1,201)	631
<u>15,715</u>	<u>(12,767)</u>	<u>2,949</u>	<b>Net Cost of Police Services before group funding</b>	<u>10,757</u>	<u>(12,644)</u>	<u>(1,888)</u>
164,454	-	164,454	Intra-group funding	5	172,120	-
<u>180,169</u>	<u>(12,767)</u>	<u>167,403</u>	<b>Net Cost of Policing Services</b>	<b>Page 25</b>	<u>182,876</u>	<u>(12,644)</u>
			<b>Other Operating Expenditure:</b>			
-	(21,844)	(21,844)	Home Office contribution to police pensions	8	-	(22,090)
34	-	34	Loss/(profit) on disposal of fixed assets		81	-
<u>34</u>	<u>(21,844)</u>	<u>(21,811)</u>			<u>81</u>	<u>(22,090)</u>
			<b>Financing and Investment Income and Expenditure:</b>			
7,172	-	7,172	Interest payable and similar charges		7,095	-
23	-	23	Pensions interest cost	17	19	-
-	(265)	(265)	Interest and investment income		-	(254)
<u>7,195</u>	<u>(265)</u>	<u>6,930</u>			<u>7,114</u>	<u>(254)</u>
			<b>Taxation and Non-specific Grant Income:</b>			
-	(59,811)	(59,811)	General grants	8	-	(59,523)
-	(1,654)	(1,654)	Capital grants and contributions	8	-	(1,142)
-	(28,939)	(28,939)	Non-domestic rate redistribution	8	-	(28,774)
-	(57,877)	(57,877)	Precepts	11	-	(60,206)
<u>-</u>	<u>(148,282)</u>	<u>(148,282)</u>			<u>-</u>	<u>(149,646)</u>
		<u>4,241</u>	<b>Deficit/(Surplus) on the Provision of Services</b>			<u>5,438</u>
			<b>Other Comprehensive Income and Expenditure:</b>			
		(194)	(Surplus) / deficit on the revaluation of assets	13		(4,094)
		(351)	Remeasurements of the net defined benefit liability (asset)	17		468
		<u>(545)</u>				<u>(3,626)</u>
		<u>3,696</u>	<b>Total Comprehensive Income and Expenditure</b>			<u>1,812</u>

# Draft Balance Sheet for the PCC for Norfolk Group

## as at 31 March 2017

31 March 2016 £000	Notes	31 March 2017 £000
75,016	Property, plant and equipment	78,864
3,598	Intangible assets	3,159
<u>78,614</u>	<b>Non-Current Assets</b>	<u>82,023</u>
-	<b>Long Term Debtors</b>	-
<u>78,614</u>	<b>Total Long term Assets</b>	<u>82,023</u>
447	Inventories	462
14,460	Short term debtors and prepayments	12,779
8,409	Cash and cash equivalents	4,351
21,117	Short term investments	20,127
176	Assets held for sale	230
<u>44,608</u>	<b>Current Assets</b>	<u>37,949</u>
<u><b>123,222</b></u>	<b>TOTAL ASSETS</b>	<u><b>119,972</b></u>
16,434	Short-term creditors and accruals	14,752
6,001	Short term borrowing	7,000
1,115	Provisions	779
908	PFI Liabilities	990
<u>24,457</u>	<b>Current Liabilities</b>	<u>23,522</u>
1,371,786	Other long term liabilities	1,721,001
-	Provisions	-
12,840	Long term borrowing	12,840
62,365	PFI Liabilities	61,375
<u>1,446,992</u>	<b>Long Term Liabilities</b>	<u>1,795,216</u>
<u><b>1,471,448</b></u>	<b>TOTAL LIABILITIES</b>	<u><b>1,818,738</b></u>
<u><b>(1,348,226)</b></u>	<b>NET ASSETS / (LIABILITIES)</b>	<u><b>(1,698,766)</b></u>
29,014	Usable reserves	25,753
(1,377,240)	Unusable reserves	(1,724,520)
<u><b>(1,348,226)</b></u>	<b>TOTAL RESERVES</b>	<u><b>(1,698,766)</b></u>

The unaudited accounts were issued on **June 2017.**

**John Hummersone FCPFA, PCC – CFO,** **June 2017**

# Draft Balance Sheet for the PCC for Norfolk

as at 31 March 2017

31 March 2016 Restated £000	Notes	31 March 2017 £000
75,016	Property, plant and equipment	78,864
3,598	Intangible assets	3,159
<u>78,614</u>	<b>Non-Current Assets</b>	<u>82,023</u>
-	<b>Long Term Debtors</b>	-
<u>78,614</u>	<b>Total Long term Assets</b>	<u>82,023</u>
447	Inventories	462
14,460	Short term debtors and prepayments	12,779
8,409	Cash and cash equivalents	4,351
21,117	Short term investments	20,127
176	Assets held for sale	230
<u>44,609</u>	<b>Current Assets</b>	<u>37,949</u>
<u>123,223</u>	<b>TOTAL ASSETS</b>	<u>119,972</u>
15,742	Short-term creditors and accruals	13,978
6,001	Short term borrowing	7,000
1,115	Provisions	779
908	PFI liabilities	990
<u>23,766</u>	<b>Current Liabilities</b>	<u>22,747</u>
472	Other long term liabilities	1,043
-	Provisions	-
12,840	Long term borrowing	12,840
62,365	PFI liabilities	61,375
<u>75,677</u>	<b>Long Term Liabilities</b>	<u>75,258</u>
<u>99,443</u>	<b>TOTAL LIABILITIES</b>	<u>98,004</u>
<u>23,780</u>	<b>NET ASSETS / (LIABILITIES)</b>	<u>21,968</u>
29,014	Usable reserves	25,754
(5,234)	Unusable reserves	(3,786)
<u>23,780</u>	<b>TOTAL RESERVES</b>	<u>21,968</u>

The unaudited accounts were issued on June 2017.

John Hummersone FCPFA, PCC – CFO, June 2017

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
<b>Year Ended 31 March 2017</b>	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>	<u>29,014</u>	<u>-</u>	<u>-</u>	<u>29,014</u>	<u>(1,377,240)</u>	<u>(1,348,226)</u>
<b>Movement in Reserves during 2016/17</b>						
<b>Total comprehensive income and expenditure</b>	(37,774)	-	-	(37,774)	(312,766)	(350,540)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<u>34,019</u>	<u>-</u>	<u>495</u>	<u>34,513</u>	<u>(34,513)</u>	<u>-</u>
<b>Increase / decrease in year</b>	<u>(3,755)</u>	<u>-</u>	<u>495</u>	<u>(3,260)</u>	<u>(347,281)</u>	<u>(350,540)</u>
<b>Balance at 31 March 2017</b>	<u>25,259</u>	<u>-</u>	<u>495</u>	<u>25,754</u>	<u>(1,724,520)</u>	<u>(1,698,766)</u>

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
<b>Year Ended 31 March 2016</b>	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	<u>37,197</u>	<u>-</u>	<u>11</u>	<u>37,208</u>	<u>(1,531,737)</u>	<u>(1,494,529)</u>
<b>Movement in Reserves during 2015/16</b>						
<b>Total comprehensive income and expenditure</b>	(47,585)	-	-	(47,585)	193,887	146,302
<b>Adjustments between accounting basis and funding basis under regulations</b>	<u>39,402</u>	<u>-</u>	<u>(11)</u>	<u>39,391</u>	<u>(39,391)</u>	<u>-</u>
<b>Increase / decrease in year</b>	<u>(8,183)</u>	<u>-</u>	<u>(11)</u>	<u>(8,194)</u>	<u>154,495</u>	<u>146,301</u>
<b>Balance at 31 March 2016</b>	<u>29,014</u>	<u>-</u>	<u>0</u>	<u>29,014</u>	<u>(1,377,240)</u>	<u>(1,348,226)</u>

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
<b>Year Ended 31 March 2017</b>	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>	<b>29,014</b>	<b>-</b>	<b>-</b>	<b>29,014</b>	<b>(5,234)</b>	<b>23,780</b>
<b>Movement in Reserves during 2016/17</b>						
<b>Total comprehensive income and expenditure</b>	<b>(5,438)</b>	<b>-</b>	<b>-</b>	<b>(5,438)</b>	<b>3,626</b>	<b>(1,812)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>1,683</b>	<b>-</b>	<b>495</b>	<b>2,178</b>	<b>(2,178)</b>	<b>-</b>
<b>Increase / decrease in year</b>	<b>(3,755)</b>	<b>-</b>	<b>495</b>	<b>(3,260)</b>	<b>1,448</b>	<b>(1,812)</b>
<b>Balance at 31 March 2017</b>	<b>25,259</b>	<b>-</b>	<b>-</b>	<b>25,754</b>	<b>(3,786)</b>	<b>21,968</b>

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
<b>Year Ended 31 March 2016</b>	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	<b>37,197</b>	<b>-</b>	<b>11</b>	<b>37,208</b>	<b>(9,732)</b>	<b>27,476</b>
<b>Movement in Reserves during 2015/16</b>						
<b>Total comprehensive income and expenditure</b>	<b>(4,241)</b>	<b>-</b>	<b>-</b>	<b>(4,241)</b>	<b>545</b>	<b>(3,696)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(3,942)</b>	<b>-</b>	<b>(11)</b>	<b>(3,953)</b>	<b>3,953</b>	<b>-</b>
<b>Increase / decrease in year</b>	<b>(8,183)</b>	<b>-</b>	<b>(11)</b>	<b>(8,194)</b>	<b>4,498</b>	<b>(3,696)</b>
<b>Balance at 31 March 2016</b>	<b>29,014</b>	<b>-</b>	<b>-</b>	<b>29,014</b>	<b>(5,234)</b>	<b>23,780</b>

## Draft Cash-flow Statement for the PCC for Norfolk Group for the year ended 31 March 2017

2015/16 £000		Note	2016/17 £000
(47,585)	<b>Net Surplus/(deficit) on the provision of services</b>	<b>Page 16</b>	(37,774)
45,808	Adjustment for non cash or cash equivalent movements	31	38,527
-	Adjustment for items included in net deficit on the provision of services that are investing or financing activities:		-
(1,654)	Capital grants and contributions	30	(1,142)
<u>(3,431)</u>	<b>Net cash flows from operating activities</b>		<u>(389)</u>
(6,533)	Investing activities	30	(4,903)
5,376	Financing activities	30	1,235
<u>(4,589)</u>	<b>Net increase or (decrease) in cash and cash equivalents</b>	30	<u>(4,058)</u>
12,997	Cash and cash equivalents at the beginning of the reporting period	21	8,409
<u><u>8,409</u></u>	<b>Cash and cash equivalents at the end of the reporting period</b>	21	<u><u>4,351</u></u>

## Draft Cash-flow Statement for the PCC for Norfolk for the year ended 31 March 2017

2015/16 £000		Note	2016/17 £000
(4,241)	<b>Net Surplus/(deficit) on the provision of services</b>	<b>Page 16</b>	(5,438)
2,464	Adjustment for non cash or cash equivalent movements	31	6,191
-	Adjustment for items included in net deficit on the provision of services that are investing or financing activities:		-
(1,654)	Capital grants and contributions	30	(1,142)
<u>(3,431)</u>	<b>Net cash flows from operating activities</b>		<u>(389)</u>
(6,533)	Investing activities	30	(4,903)
5,376	Financing activities	30	1,235
<u>(4,588)</u>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>30</b>	<u>(4,057)</u>
12,997	Cash and cash equivalents at the beginning of the reporting period	21	8,409
<u><u>8,409</u></u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>21</b>	<u><u>4,351</u></u>

## Draft Expenditure & Funding Analysis for the PCC for Norfolk Group

Group Position	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
<b>Year Ended 31 March 2017</b>			
Chief Constable	151,727	4,338	156,065
PCC's Office	(8,795)	6,277	(2,518)
PCC Commissioning	631	-	631
<b>Net Cost of Police Services</b>	<b><u>143,562</u></b>	<b><u>10,615</u></b>	<b><u>154,177</u></b>
Other income and expenditure	(139,807)	23,404	(116,403)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>3,755</u></b>	<b><u>34,019</u></b>	<b><u>37,774</u></b>
Opening general fund balance at 31 March 2016	29,014		
Less deficit on general fund in year	(3,755)		
<b>Closing General Fund Balance at 31 March 2017</b>	<b><u>25,259</u></b>		
<b>Year Ended 31 March 2016</b>			
Chief Constable	142,610	15,100	157,710
PCC's Office	(3,707)	5,841	2,133
PCC Commissioning	815	-	815
<b>Net Cost of Police Services</b>	<b><u>139,718</u></b>	<b><u>20,941</u></b>	<b><u>160,659</u></b>
Other income and expenditure	(131,535)	18,461	(113,074)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>8,183</u></b>	<b><u>39,402</u></b>	<b><u>47,585</u></b>
Opening general fund balance at 31 March 2015	37,197		
Less deficit on general fund in year	(8,183)		
<b>Closing General Fund Balance at 31 March 2016</b>	<b><u>29,014</u></b>		



## Draft Expenditure & Funding Analysis for the PCC for Norfolk

PCC's Office	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
<b>Year Ended 31 March 2017</b>			
PCC's Office	(8,795)	6,277	(2,518)
PCC Commissioning	631	-	631
Intra-group funding	172,120	-	172,120
<b>Net Cost of Police Services</b>	<b><u>163,955</u></b>	<b><u>6,277</u></b>	<b><u>170,232</u></b>
Other income and expenditure	(160,200)	(4,594)	(164,794)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>3,755</u></b>	<b><u>1,683</u></b>	<b><u>5,438</u></b>
Opening general fund balance at 31 March 2016	29,014		
Less deficit on general fund in year	<u>(3,755)</u>		
<b>Closing General Fund Balance at 31 March 2017</b>	<b><u>25,259</u></b>		
<b>Year Ended 31 March 2016</b>			
PCC's Office	(3,707)	5,841	2,133
PCC's Commissioning	815	-	815
Intra-group funding	164,454	-	164,454
<b>Net Cost of Police Services</b>	<b><u>161,562</u></b>	<b><u>5,841</u></b>	<b><u>167,403</u></b>
Other income and expenditure	(153,380)	(9,783)	(163,163)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>8,183</u></b>	<b><u>(3,942)</u></b>	<b><u>4,241</u></b>
Opening general fund balance at 31 March 2015	37,197		
Less deficit on general fund in year	<u>(8,183)</u>		
<b>Closing General Fund Balance at 31 March 2016</b>	<b><u>29,014</u></b>		

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

## 1. Accounting Policies

### General principles

The Statement of Accounts summarises the Group's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (COP), supported by International Financial Reporting Standards (IFRS).

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

### Cost recognition and Intra-Group adjustment

Refer to Note 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. 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 CIES (Comprehensive Income and Expenditure Statement) 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 MIRS (Movement in Reserves Statement). MRP is charged to the General Fund along with any Revenue Funding of Capital and credited to the Capital Adjustment Account via the MIRS.

Guidance issued under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009, enables authorities to calculate an amount of MRP, which they consider to be prudent. For capital expenditure incurred from 2008/09, the PCC has approved calculating the MRP using the Option 3 method, which results in equal instalments of 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
- Multi-functional devices
- Communication devices including radios
- Servers
- Software licences
- Firearms including TASERS
- Vehicles with a life exceeding 12 months
- Annual Assets (projects incurring expenditure throughout the year which are not classified as assets under construction)
- Where government grant funding has been sought and received for specific expenditure on the assumption that both the grant and expenditure are treated as capital

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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)
- 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 of Practice 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

#### **Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the PCC 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 PCC.

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 PCC 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's services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC 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's Office 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's Office 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement. The Balance Sheet includes the authority'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.

## **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.

### Post-employment benefits

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

The liabilities attributable to the 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 in the LGPS are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is based on the return on UK Government bonds (gilts) plus a prudent asset return assumption, which makes an allowance for an anticipated out-performance of Fund returns relative to long term yields on gilts.

Liabilities in the Police Pension Scheme are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is set with reference to the current rate of return on high quality corporate bonds, plus an additional amount.

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

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is allocated in the CIES to the services for which the employee or officer worked. 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 as part of the service for which the employee or officer worked.
- 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.
- Expected return on assets – the annual investment return on the fund assets attributable to the Group, based on an average of the expected long-term return. It is credited to the Financing and Investment Income and Expenditure line in the CIES.
- 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 debited to the pension reserve.
- 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 can be classified into two types:

- (i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- (ii) Available-for-sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payment

The PCC does not hold any available-for-sale financial assets.

#### Loans and Receivables

Loans and receivables 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CIES.



## Government grants and contributions

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 Movement in Reserves Statement (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. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

## Investment policy

The PCC works closely with its external treasury advisors Capita to determine the criteria for high quality institutions. The minimum rating criteria uses the 'lowest common denominator' method of selecting counterparties and applying lending limits to those counterparties

- 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)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds (which are rated AAA by at least one of the three major rating agencies);
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2016/17 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

## Jointly controlled operations and jointly controlled assets

Jointly controlled 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 Comprehensive Income and Expenditure Statement with its share of the expenditure incurred and income earned from the activity of the operation.

Jointly controlled 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 jointly controlled 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 towards 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 relevant service 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 – charged to the unitary payment when they are incurred in future years.

### **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 Movement in Reserves Statement. 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 Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

### Revaluation Reserve

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

### Capital Adjustment Account

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

### Pension Reserve

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 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 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 Comprehensive Income and Expenditure Statement. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (e.g., purchase of command platform vehicles).

## **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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

The Financial Statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom for 2016/17 (COP), the COP is based on International Financial Reporting Standards (IFRSs).

There are no amendments to be adopted under the 2017/18 Code of Practice which would be relevant to the Office of the Police and Crime Commissioner or the Chief Constable.

## **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 2017/18 in regard of what the PCC will receive from the government and limitations around the precept. The PCC and 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 a PFI contract entered into by the former Police Authority. The 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. 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 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 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 2016/17 and are reflected in the financial statements.

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

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

##### Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumptions would result in an increase in the pension liability of £193.8m.

##### Exit Packages

Provisions for exit packages are based on information available at the time of the production of the accounts, there may be occasions where employees are subsequently redeployed resulting in the provision being overstated.

##### Property, plant and equipment

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

Land	£13.1m
Property	£51.7m

#### 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 receives 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 is 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 add to the carrying value of the Pensions Liability and the Accumulated Absences Liability.

## 6. Notes to the Expenditure and Funding Analysis

### Adjustments between the CIES and the General Fund - Group

Group Position	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Year Ended 31 March 2017</b>				
Chief Constable	-	4,254	84	4,338
PCC's Office	6,192	85	-	6,277
PCC Commissioning	-	-	-	-
<b>Net Cost of Police Services</b>	<b>6,192</b>	<b>4,339</b>	<b>84</b>	<b>10,615</b>
Other income and expenditure	(5,038)	28,017	425	23,404
<b>Deficit/(Surplus) &amp; CIES Deficit/(Surplus)</b>	<b>1,155</b>	<b>32,356</b>	<b>508</b>	<b>34,019</b>
<b>Year Ended 31 March 2016</b>				
Chief Constable	-	14,889	211	15,100
PCC's Office	5,665	176	-	5,841
PCC Commissioning	-	-	-	-
<b>Net Cost of Police Services</b>	<b>5,665</b>	<b>15,065</b>	<b>211</b>	<b>20,941</b>
Other income and expenditure	(9,958)	28,267	152	18,461
<b>Difference between General Fund Deficit/(Surplus) &amp; CIES Deficit/(Surplus)</b>	<b>(4,294)</b>	<b>43,332</b>	<b>363</b>	<b>39,402</b>

### Adjustments between the CIES and the General Fund - PCC

PCC's Office	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Year Ended 31 March 2017</b>				
PCC's Office	6,192	85	-	6,277
PCC Commissioning	-	0	0	0
<b>Net Cost of Police Services</b>	<b>6,192</b>	<b>85</b>	<b>-</b>	<b>6,277</b>
Other income and expenditure	(5,038)	19	425	(4,594)
<b>Deficit/(Surplus) on the Provision of Service</b>	<b>1,155</b>	<b>104</b>	<b>425</b>	<b>1,683</b>
<b>Year Ended 31 March 2016</b>				
PCC's Office	5,665	176	-	5,841
PCC Commissioning	-	0	0	0
<b>Net Cost of Police Services</b>	<b>5,665</b>	<b>176</b>	<b>-</b>	<b>5,841</b>
Other income and expenditure	(9,958)	23	152	(9,783)
<b>Deficit/(Surplus) on the Provision of Service</b>	<b>(4,294)</b>	<b>199</b>	<b>152</b>	<b>(3,942)</b>

## Expenditure and Income Analysed by Nature – Group

	Total Chief Constable	Total PCC's Office	Total PCC's Commissioning	Total Group
	£000	£000	£000	£000
<b>Reported in 2016/17</b>				
<b>Expenditure</b>				
Employee benefits expenses	137,542	742	198	138,482
Other service expenditure	29,221	1,713	1,634	32,568
Depreciation, amortisation, impairment	-	6,470	-	6,470
Net pensions interest cost	48,391	19	-	48,410
Interest payments	-	7,095	-	7,095
Gain on the disposal of assets	-	81	-	81
<b>Total Expenditure</b>	<b>215,155</b>	<b>16,120</b>	<b>1,832</b>	<b>233,106</b>
<b>Income</b>				
Fees, charges and other service income	(5,355)	(224)	(74)	(5,652)
Interest and investment income	-	(254)	-	(254)
Income from council tax	-	(60,206)	-	(60,206)
Government grants and contributions	(5,344)	(122,749)	(1,127)	(129,220)
<b>Total Income</b>	<b>(10,699)</b>	<b>(183,433)</b>	<b>(1,201)</b>	<b>(195,332)</b>
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>204,456</b>	<b>(167,313)</b>	<b>631</b>	<b>37,774</b>
<b>Reported in 2015/16</b>				
<b>Expenditure</b>				
Employee benefits expenses	144,615	792	131	145,538
Other service expenditure	26,681	7,156	1,665	35,502
Depreciation, amortisation, impairment	-	5,971	-	5,971
Net pensions interest cost	50,088	23	-	50,111
Gain on the disposal of assets	-	34	-	34
Interest payments	-	7,172	-	7,172
<b>Total Expenditure</b>	<b>221,384</b>	<b>21,147</b>	<b>1,796</b>	<b>244,328</b>
<b>Income</b>				
Fees, charges and other service income	(5,246)	(199)	(17)	(5,461)
Interest and investment income	-	(265)	-	(265)
Income from council tax	-	(57,877)	-	(57,877)
Government grants and contributions	(8,340)	(123,836)	(964)	(133,140)
<b>Total Income</b>	<b>(13,586)</b>	<b>(182,176)</b>	<b>(981)</b>	<b>(196,743)</b>
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>207,798</b>	<b>(161,029)</b>	<b>815</b>	<b>47,585</b>



## Expenditure and Income Analysed by Nature - PCC

	Total PCC's Office  £000	Total PCC's Commissioning  £000	Total PCC  £000
<b>Reported in 2016/17</b>			
<b>Expenditure</b>			
Employee benefits expenses	742	198	940
Other service expenditure	1,713	1,634	3,346
Depreciation, amortisation, impairment	6,470	-	6,470
Net pensions interest cost	19	-	19
Interest payments	7,095	-	7,095
Gain on the disposal of assets	81	-	81
<b>Total Expenditure</b>	<b><u>16,120</u></b>	<b><u>1,832</u></b>	<b><u>17,952</u></b>
<b>Income</b>			
Fees, charges and other service income	(224)	(74)	(298)
Interest and investment income	(254)	-	(254)
Income from council tax	(60,206)	-	(60,206)
Government grants and contributions	(122,749)	(1,127)	(123,876)
<b>Total Income</b>	<b><u>(183,433)</u></b>	<b><u>(1,201)</u></b>	<b><u>(184,634)</u></b>
<b>Deficit/(Surplus) on the Provision of Services before Intra Group funding</b>	<b><u>(167,313)</u></b>	<b><u>631</u></b>	<b><u>(166,682)</u></b>
Intra group funding	172,120	-	172,120
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>4,807</u></b>	<b><u>631</u></b>	<b><u>5,438</u></b>
<b>Reported in 2015/16</b>			
<b>Expenditure</b>			
Employee benefits expenses	792	131	923
Other service expenditure	7,156	1,665	8,821
Depreciation, amortisation, impairment	5,971	-	5,971
Net pensions interest cost	23	-	23
Gain on the disposal of assets	34	-	34
Interest payments	7,172	-	7,172
<b>Total Expenditure</b>	<b><u>21,147</u></b>	<b><u>1,796</u></b>	<b><u>22,944</u></b>
<b>Income</b>			
Fees, charges and other service income	(199)	(17)	(216)
Interest and investment income	(265)	-	(265)
Income from council tax	(57,877)	-	(57,877)
Government grants and contributions	(123,836)	(964)	(124,800)
<b>Total Income</b>	<b><u>(182,176)</u></b>	<b><u>(981)</u></b>	<b><u>(183,157)</u></b>
<b>Deficit/(Surplus) on the Provision of Services before Intra Group funding</b>	<b><u>(161,029)</u></b>	<b><u>815</u></b>	<b><u>(160,214)</u></b>
Intra group funding	164,454	-	164,454
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>3,426</u></b>	<b><u>815</u></b>	<b><u>4,241</u></b>

## 7. Minimum Revenue Provision

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 2012 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 using the equal instalment method. Option 3 results in MRP charged in equal annual instalments over the assets 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 2016/17 was £1,537k (2015/16 - £4,773k). 2015-16 included £2,250k in respect of back funding MRP balances and £780k relating to the early settlement of transferred debt.

## 8. Government Grants

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

	<b>Amount receivable for 16/17 £000</b>	<b>Amount receivable for 15/16 £000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
General police grant	50,219	50,507
Council Tax support grant	7,877	7,877
Council tax freeze grant	1,428	1,428
Capital grants and contributions	1,142	1,654
Non-domestic rate redistribution	28,774	28,939
Precepts	60,206	57,877
	<b>149,646</b>	<b>148,282</b>
<b>Credited to Other Operating Expenditure</b>		
Home Office contribution to police pensions	22,090	21,844
	<b>22,090</b>	<b>21,844</b>
<b>Credited to Services</b>		
Police incentivisation	235	111
Counter terrorism	183	106
PFI grants (OCC and PICs)	6,758	6,757
Other specific grants	10,514	13,917
	<b>17,691</b>	<b>20,891</b>

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

	<b>Amount receivable for 16/17 £000</b>	<b>Amount receivable for 15/16 £000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
General police grant	50,219	50,507
Council Tax support grant	7,877	7,877
Council tax freeze grant	1,428	1,428
Capital grants and contributions	1,142	1,654
Non-domestic rate redistribution	28,774	28,939
Precepts	60,206	57,877
	<b><u>149,646</u></b>	<b><u>148,282</u></b>
<b>Credited to Other Operating Expenditure</b>		
Home Office contribution to police pensions	22,090	21,844
	<b><u>22,090</u></b>	<b><u>21,844</u></b>
<b>Credited to Services</b>		
Police incentivisation	-	-
Counter terrorism	-	-
PFI grant	6,758	6,757
Other specific grants	10,494	13,698
	<b><u>17,253</u></b>	<b><u>20,455</u></b>

Other specific grants credited to services include; £1.5m Operation Hydrant, £4.5m Protective Security Grant, £1.3m Child Sexual Exploitation Grant, and £1.1m Ministry of Justice Grant.

## 9. Employees' Remuneration

The numbers of employees and senior police officers whose remuneration exceeded £50k in 2016/17 were as follows:

Remuneration	GROUP		OPCC	
	2016/17	2015/16	2016/17	2015/16
£50,000 - £54,999	10	6	1	-
£55,000 - £59,999	3	5		1
£60,000 - £64,999	6	-	1	-
£65,000 - £69,999	3	1		1
£70,000 - £74,999	1	1		-
£75,000 - £79,999	2	1		-
£80,000 - £84,999	2	3		-
£85,000 - £89,999	3	4		1
£90,000 - £94,999	2	-	1	-
£95,000 - £99,999	1	2	0.40	0.40
£105,000 - £109,999		1		-
£110,000 - £114,999	1	-		-
£115,000 - £119,999		1		-
£150,000 - £154,999		1		-
£155,000 - £159,999	1	-		-

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

Within the £95,000 - £99,999 band for the OPCC 0.4 FTE relates to the CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.4 relates to the PCC share of the FTE based day contracted.

In addition to the above the Accounts and Audit Regulations 2015 requires 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 PCC. The officers listed in the following table are also included in the above banding disclosure note.

	Salaries Fees and Allowances	Termination Payments	Bonuses	Employers Pension Contributions	Benefits in Kind Estimates	Expenses	Total
	£000	£000	£000	£000	£000	£000	£000
<b>2016/17</b>							
<b>Position held</b>							
Chief Constable - Simon Bailey	156	-	-	37	3	-	196
Deputy Chief Constable (left 02.10.16)	61	-	-	14	1	-	76
Deputy Chief Constable ((appointed 13.02.17) temporary from 03.10.16 to 12.02.17)							
Assistant Chief Constable ((09.05.16 - 02.10.16) temporary from 04.04.16 - 08.05.16)	113	-	-	25	-	-	138
Assistant Chief Constable (retired 07.09.16)	56	-	-	11	-	-	67
Temporary Assistant Chief Constable (appointed 03.10.16)	93	-	-	22	-	-	115
CFO (CC) - 0.61 FTE	66	-	-	-	-	-	66
Police and Crime Commissioner (elected 12.05.16)	62	-	-	12	-	-	74
Police and Crime Commissioner (de-elected 11.05.16)	8	-	-	2	-	2	12
Chief Executive (PCC)	91	-	-	18	-	1	110
Deputy Police and Crime Commissioner (left 11.05.16)	7	-	-	1	-	-	8
CFO (PCC) - 0.39 FTE	32	-	-	-	-	-	32
<b>2015/16</b>							
<b>Position held</b>							
Chief Constable - Simon Bailey	152	-	-	36	3	2	193
Deputy Chief Constable	119	-	-	28	6	2	155
Assistant Chief Constable	107	-	-	25	4	-	136
Temporary Assistant Chief Constable (23 Jun 2014 to 3 Jan 2016)	79	-	-	18	2	-	99
CFO (CC) - 0.66 FTE	64	-	-	-	-	-	64
Police and Crime Commissioner	70	-	-	13	-	-	83
Chief Executive (PCC)	89	-	-	17	-	-	106
Deputy Police and Crime Commissioner	58	-	-	11	-	-	69
CFO (PCC) - 0.34 FTE	33	-	-	-	-	-	33

A chief officer from Norfolk Constabulary acted as Assistant Chief Constable in a joint capacity for Norfolk and Suffolk Constabularies until 7 September 2016; a contribution of £27.4k was received from Suffolk Constabulary in respect of this post. A chief officer from Suffolk Constabulary acted as Temporary Assistant Chief Constable in a joint capacity for Norfolk and Suffolk Constabularies from 7 September 2016; a contribution of £40.6k was paid to Suffolk Constabulary in respect 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 and total cost of the compulsory and other redundancies 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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000	2015/16 £000
£0 - £20,000	8	33	-	-	8	33	99	295
£20,001 - £40,000	-	8	-	-	-	8	-	189
£40,001 - £60,000	-	2	-	-	-	2	-	89
£60,001 - £80,000	1	-	-	-	1	-	77	-
	<u>9</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>43</u>	<u>176</u>	<u>573</u>

## 10. Related Parties 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 2016/17 there were no material related party transactions involving officers of the PCC or senior officers of the Constabulary, other than those included under employees' remuneration set out in Note 9 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 8 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements; these are fully disclosed in Note 33.

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

## 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 2016/17 the precept, including the estimated 2015/16 collection fund surplus/(deficit) was paid to the PCC during the year and amounted to £60.6m distributed as shown below. The Code of Practice now 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:

2015/16 £000	Received from Billing Authority £000	surplus/(deficit) on Collection Fund at		Total 2016/17 £000
		31.3.16 £000	31.3.17 £000	
8,463 Breckland	9,401	573	65	8,893
9,075 Broadland	9,542	131	41	9,452
10,109 Kings Lynn & West Norfolk	10,350	74	247	10,522
7,260 Norwich	7,413	573	716	7,555
5,539 Great Yarmouth	5,787	65	24	5,746
7,987 North Norfolk	8,309	282	214	8,241
9,445 South Norfolk	9,828	156	124	9,796
<b>57,878</b>	<b>60,630</b>	<b>1,854</b>	<b>1,430</b>	<b>60,206</b>

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:

<b>Balance at 31.3.16 £000</b>	<b>Collection Fund £000</b>	<b>Net Arrears £000</b>	<b>Pre- payments £000</b>	<b>Balance at 31.3.17 £000</b>
(447) Breckland	(65)	270	(132)	73
(161) Broadland	(41)	84	(117)	(74)
124 Kings Lynn & West Norfolk	(247)	386	(164)	(25)
(518) Norwich	(716)	251	(225)	(689)
130 Great Yarmouth	(24)	312	(147)	142
(259) North Norfolk	(214)	166	(138)	(186)
(98) South Norfolk	(124)	171	(103)	(57)
<b>(1,230)</b>	<b>(1,430)</b>	<b>1,641</b>	<b>(1,027)</b>	<b>(816)</b>

## 12. External Audit Fees

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
	The Group has incurred the following costs in relation to the audit of the Statement of Accounts	
38	The PCC for Norfolk	35
15	The Chief Constable of Norfolk	16
<b>53</b>		<b>50</b>

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

The 2016/2017 audit fees include an amount of £1.7k, attributable to the PCC, in respect of 2015/2016 which has not been provided for but had been an approved increase to the original scale fees.

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

## 13. Non-Current Assets

Movements in 2016-17	Land and buildings	Vehicles plant and equipment	Assets under construction	Surplus Assets	Total
	£000	£000	£000	£000	£000
<b>Property, Plant &amp; Equipment</b>					
<b>Historic cost or revaluation</b>					
Balance at 1.4.16	67,435	29,873	635	-	97,943
Reclassifications	(555)	65	(47)	-	(537)
Additions	1,061	2,928	2,166	-	6,155
Derecognition - disposals	(79)	(3,846)	-	-	(3,925)
Net revaluation gains/losses recognised in the CIES	(3,614)	-	-	-	(3,614)
Net revaluation gains/losses recognised in the Revaluation reserve	4,094	-	-	-	4,094
<b>Balance at 31.3.17</b>	<b>68,341</b>	<b>29,020</b>	<b>2,754</b>	<b>-</b>	<b>100,115</b>
<b>Depreciation and impairments</b>					
Balance at 1.4.16	4,711	18,217	-	-	22,927
Reclassifications	(1)	15	-	-	13
Revaluations	(3,326)	-	-	-	(3,326)
Derecognition - disposals	(1)	(3,624)	-	-	(3,625)
Depreciation for the year	2,155	3,107	-	-	5,262
<b>Balance at 31.3.17</b>	<b>3,537</b>	<b>17,714</b>	<b>-</b>	<b>-</b>	<b>21,251</b>
Net book value at 31.3.16	62,723	11,656	635	-	75,016
<b>Net book value at 31.3.17</b>	<b>64,804</b>	<b>11,306</b>	<b>2,754</b>	<b>-</b>	<b>78,864</b>
					<b>Software Licences</b>
					<b>£000</b>
<b>Purchased intangible assets</b>					
<b>Historic cost or revaluation</b>					
Balance at 1.4.16					5,168
Reclassifications					(18)
Additions					207
Derecognition - disposals					(70)
<b>Balance at 31.3.17</b>					<b>5,287</b>
<b>Amortisation</b>					
Balance at 1.4.16					1,570
Amortisation for the year					643
Reclassifications					(15)
Derecognition - disposals					(70)
<b>Balance at 31.3.17</b>					<b>2,128</b>
Net book value at 31.3.16					3,598
<b>Net book value at 31.3.17</b>					<b>3,159</b>



Movements in 2015-16	Land and buildings £000	Vehicles plant and equipment £000	Assets under construction £000	Surplus Assets £000	Total £000
<b><u>Property, Plant &amp; Equipment</u></b>					
<b>Historic cost or revaluation</b>					
Balance at 1.4.15	67,575	25,506	4,350	-	97,432
Reclassifications	(182)	1,472	(4,215)	-	(2,924)
Additions	780	3,506	500	-	4,785
Derecognition - disposals	-	(612)	-	-	(612)
Net revaluation gains/losses	(544)	-	-	-	(544)
Net revaluation gains/losses recognised in the Revaluation reserve	(194)	-	-	-	(194)
<b>Balance at 31.3.16</b>	<b>67,435</b>	<b>29,873</b>	<b>635</b>	<b>-</b>	<b>97,943</b>
<b>Depreciation and impairments</b>					
Balance at 1.4.15	3,565	15,618	-	-	19,183
Reclassifications	(6)	4	(15)	-	(17)
Revaluations	(687)	-	-	-	(687)
Derecognition - disposals	-	(492)	-	-	(492)
Depreciation for the year	1,838	3,087	15	-	4,939
<b>Balance at 31.3.16</b>	<b>4,712</b>	<b>18,217</b>	<b>-</b>	<b>-</b>	<b>22,928</b>
Net book value at 31.3.15	64,010	9,888	4,350	-	78,248
<b>Net book value at 31.3.16</b>	<b>62,723</b>	<b>11,656</b>	<b>635</b>	<b>-</b>	<b>75,016</b>
					<b>Software Licences £000</b>
<b><u>Purchased intangible assets</u></b>					
<b>Historic cost or revaluation</b>					
Balance at 1.4.15					1,475
Reclassifications					2,742
Additions					951
Derecognition - disposals					-
<b>Balance at 31.3.16</b>					<b>5,168</b>
<b>Amortisation</b>					
Balance at 1.4.15					1,080
Amortisation for the year					480
Reclassifications					11
Derecognition - disposals					-
<b>Balance at 31.3.16</b>					<b>1,570</b>
Net book value at 31.3.15					396
<b>Net book value at 31.3.16</b>					<b>3,598</b>

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on land and buildings (£1,791k) and IT assets (£963k).

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, 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 £471k. 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 £370k, net of revaluation loss.

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.

## 14. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2016/17 are set out below.

2015/16 £000		2016/17 £000
90,220	Opening capital financing requirement	85,446
	<b>Capital investment</b>	
951	Intangible fixed assets	207
4,286	Operational assets	3,989
500	Non operational assets	2,166
	<b>Sources of finance</b>	
(513)	Capital receipts	(723)
(1,665)	Government grants and other contributions	(647)
(3,558)	Direct Revenue Contributions	(2,435)
(3,993)	Revenue provision including MRP	(1,537)
	<b>Other Adjustments</b>	
(780)	Transferred Debt Repayment	-
<u>85,446</u>	<b>Closing capital financing requirement</b>	<u>86,465</u>
	<b>Explanation of movements in year</b>	
(4,773)	Increase/(decrease) in underlying need to borrow	1,019
<u>(4,773)</u>	<b>Increase/(decrease) in capital financing requirement</b>	<u>1,019</u>

## 15. Non-Current Asset Valuation

### 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. The valuations, which are carried out by the PCC's professional advisors, Carter Jonas who are 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 impairment assessment 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 depreciated replacement cost. The breakdown of current value 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
<b>Carried at historical cost</b>	518	11,306	2,754	-	14,578
<b>Valued at fair value during year ended:</b>					
31 March 2017	32,111				32,111
31 March 2016	1,092				1,092
31 March 2015	22,904				22,904
31 March 2014	2,740				2,740
31 March 2013	3,229				3,229
31 March 2012	45				45
31 March 2011	2,164				2,164
<b>Balance at 31.3.17</b>	<b>64,804</b>	<b>11,306</b>	<b>2,754</b>	<b>-</b>	<b>78,864</b>

## 16. Private Finance Initiative (PFI)

### 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 the 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 contractor 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 2016/17 was £1.444m (£1.248m in 2015/16). Payments remaining to be made under the PFI contract for services at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Revenue Services £000	Capital Payments £000	Interest £000	Contingent Rent £000	Total £000
Payable in 2017/18	1,480	402	2,986	-	4,868
Payable within two to five years	6,300	2,127	11,423	-	19,850
Payable within six to ten years	8,530	4,364	12,574	-	25,468
Payable within eleven to fifteen years	8,853	7,531	9,408	-	25,792
Payable within sixteen to twenty years	9,307	11,478	3,880	-	24,665
	<b>34,470</b>	<b>25,902</b>	<b>40,271</b>	<b>-</b>	<b>100,643</b>

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 Investigations Centres (PIC)

During the financial years 2010/2011 to 2040/2041 the Norfolk and Suffolk PCCs are committed to making payments under a contract with a consortium for the use of the six PICs. The actual level of payments will be dependent on availability of the site and provision and delivery of services within. The contract is for 30 years. At 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 2 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 2016/2017 amounted to £0.999m million (£0.987m in 2015/2016). This figure includes a credit received from Cambridgeshire Police of £0.506m in respect of services provided at the Kings Lynn PIC. A summary of the sites, their initial contract capital values and the respective PCC interest in each site is shown in the table below:

Sites and opening dates	Norfolk Cells	Suffolk Cells	Cambridgeshire Cells	Capital	Cost in Norfolk	
				Contract Value £000	31.3.17 £000	31.3.16 £000
Aylsham - 28.2.11	8	-	-	6,967	4,998	4,998
Wymondham - 4.4.11	30	-	-	11,398	9,058	9,058
Kings Lynn - 25.4.11	16	-	8	10,749	7,771	7,771
Ipswich - 6.6.11	-	30	-	12,012	-	-
Bury St Edmunds - 4.7.11	8	16	-	10,621	3,084	3,084
Gt Yarmouth - 7.11.11	15	15	-	12,680	3,948	3,948
	<b>77</b>	<b>61</b>	<b>8</b>	<b>64,427</b>	<b>28,859</b>	<b>28,859</b>

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 2017 (which exclude any availability/performance deductions or amounts receivable from Cambridgeshire Police), are shown in the following table:

	Revenue Services £000	Capital Payments £000	Contingent Interest £000	Contingent Rent £000	Total £000
Payable in 2017/18	1,803	588	2,720	145	5,256
Payable within two to five years	7,993	2,826	10,406	298	21,523
Payable within six to ten years	11,580	4,892	11,648	4	28,124
Payable within eleven to fifteen years	13,161	7,009	9,531	(55)	29,646
Payable within sixteen to twenty years	14,164	10,044	6,497	664	31,369
Payable within twenty one to twenty five years	13,184	11,104	2,128	(505)	25,911
	<b>61,885</b>	<b>36,463</b>	<b>42,930</b>	<b>551</b>	<b>141,829</b>

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 capital liability on the Norfolk PCC Balance Sheet at the year end up is made up as follows:

	2016/17	2015/16
	£000	£000
<b>PFI - PICs</b>		
Balance outstanding at the beginning of the year	37,011	37,520
Capital repayments during the year	(547)	(509)
Balance outstanding at year end	<u>36,463</u>	<u>37,011</u>
<b>PFI - OCC</b>		
Balance outstanding at the beginning of the year	26,262	26,851
Capital repayments during the year	(360)	(589)
Balance outstanding at year end	<u>25,902</u>	<u>26,262</u>
Total balance outstanding at year end	<u>62,365</u>	<u>63,273</u>
<b>Made up as follows:</b>		
Due in less than one year	990	908
Due in more than one year	61,375	62,365
	<u>62,365</u>	<u>63,273</u>

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

	2016/17	2015/16
	£000	£000
Net book value at the beginning of the year	39,258	40,894
Additions	-	-
Revaluations during the year	3,102	(86)
Depreciation during the year	(1,846)	(1,549)
Net book value at the end of the year	<u>40,515</u>	<u>39,258</u>

## 17. 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 office holders 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 Scheme 2015 Scheme for police officers, is a Career Average Revalued Earnings (CARE) scheme, for those who either joined from April 2015 or transferred from the 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. There is a Home Office requirement to charge the CIES with an employer's contribution of 24.2% of pensionable pay, the CIES also meets the costs of injury awards and the capital value of ill-health benefits. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and 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 2015 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

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

The PCC has agreed a policy for calculating the budget provisions necessary to cover the costs chargeable to the CIES and the level of the Ill Health and Injury Reserve. This reserve provides protection against costs above the amount provided in the revenue budget.

### Transactions relating to post-employment benefits

The cost of retirement benefits are recognised in the reported 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 benefits 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:

	<u>LGPS</u>		<u>Police Schemes</u>	
	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Current service costs	7,449	8,676	20,280	27,490
Past service Costs	201	483	60	40
<b>Financing and investment income and expenditure</b>				
Net Interest Expense	1,660	2,221	46,750	47,890
<b>Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service</b>	<b>9,310</b>	<b>11,380</b>	<b>67,090</b>	<b>75,420</b>
<b>Other post employment benefit charged to the CIES</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(13,445)	1,205	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	(1,774)	-	(29,850)	(22,310)
- Actuarial gains/losses arising from changes in financial assumptions	54,629	(25,306)	309,870	(132,780)
- Other	362	(2,233)	(2,932)	(12,269)
	<u>39,772</u>	<u>(26,334)</u>	<u>277,088</u>	<u>(167,359)</u>
<b>Total post employment benefit charged to the CIES</b>	<b>49,082</b>	<b>(14,954)</b>	<b>344,178</b>	<b>(91,939)</b>
<b>Movement in Reserves Statement (MIRS):</b>				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	<u>(49,082)</u>	<u>14,954</u>	<u>(344,178)</u>	<u>91,939</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	6,387	6,247	-	-
Retirement benefits payable to pensioners	-	-	37,658	37,221
<b>Net charge to the General Fund</b>	<b>6,387</b>	<b>6,247</b>	<b>37,658</b>	<b>37,221</b>

PCC:

	<u>LGPS</u>		<u>Police Schemes</u>	
	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Current service costs	197	210	-	-
Past service Costs	-	-	-	-
<b>Financing and investment income and expenditure</b>				
Net Interest Expense	19	23	-	-
<b>Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service</b>	<b>216</b>	<b>233</b>	<b>-</b>	<b>-</b>
<b>Other post employment benefit charged to the CIES</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(70)	8	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	(11)	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	565	(294)	-	-
- Other	(16)	(65)	-	-
<b>Total post employment benefit charged to the CIES</b>	<b>468</b>	<b>(351)</b>	<b>-</b>	<b>-</b>
<b>1,152</b>	<b>(469)</b>	<b>-</b>	<b>-</b>	
<b>Movement in Reserves Statement (MIRS):</b>				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	(1,152)	469	-	-
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	112	34	-	-
Retirement benefits payable to pensioners	-	-	-	-
<b>Net charge to the General Fund</b>	<b>112</b>	<b>34</b>	<b>-</b>	<b>-</b>

### Assets and liabilities in relation to retirement benefits

Group:

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>
Present value of liabilities	(278,814)	(212,967)	(1,631,520)	(1,325,000)
Fair value of plan assets	189,333	166,181	-	-
<b>Total Net liabilities</b>	<b>(89,481)</b>	<b>(46,786)</b>	<b>(1,631,520)</b>	<b>(1,325,000)</b>



PCC:

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
Present value of liabilities	(2,410)	(1,577)	-	-
Fair value of plan assets	1,367	1,106	-	-
<b>Total Net liabilities</b>	<b>(1,043)</b>	<b>(471)</b>	<b>-</b>	<b>-</b>

### Reconciliation of present value of the scheme liabilities

Group:

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening Balance at 1 April	212,967	225,740	1,325,000	1,454,160
Current service cost	7,449	8,676	20,280	27,490
Interest cost	7,538	7,340	46,750	47,890
Contributions by scheme participants	2,080	2,045	7,800	8,260
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	(1,774)	-	(29,850)	(22,310)
- Actuarial gains/losses arising from changes in financial assumptions	54,629	(25,306)	309,870	(132,780)
- Other	311	(2,102)	(3,025)	(12,120)
Past service costs	201	483	60	40
Benefits Paid	(4,587)	(3,909)	(45,365)	(45,630)
<b>Closing Balance at 31 March</b>	<b>278,814</b>	<b>212,967</b>	<b>1,631,520</b>	<b>1,325,000</b>

PCC:

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening Balance at 1 April	1,577	1,563	-	-
Current service cost	197	210	-	-
Interest cost	61	56	-	-
Contributions by scheme participants	46	43	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	(11)	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	565	(294)	-	-
- Other	(11)	(1)	-	-
Past service costs	-	-	-	-
Benefits Paid	(14)	-	-	-
<b>Closing Balance at 31 March</b>	<b>2,410</b>	<b>1,577</b>	<b>-</b>	<b>-</b>

### Reconciliation of fair value of the scheme assets

Group:

	<u>Funded Assets</u>		<u>Unfunded Assets</u>	
	<u>Local Government</u>		<u>Police</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening fair value of scheme assets	166,181	157,753	-	-
Interest Income	5,878	5,119	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	13,445	(1,205)	-	-
Other	(51)	131	(93)	149
The effect of changes in foreign exchange rates				
Contributions from employer	6,387	6,247	37,658	37,221
Contributions from employees into the scheme	2,080	2,045	7,800	8,260
Benefits paid	(4,587)	(3,909)	(45,365)	(45,630)
<b>Closing fair value of Scheme Assets</b>	<b>189,333</b>	<b>166,181</b>	<b>-</b>	<b>-</b>

PCC:

	<u>Funded Assets</u>		<u>Unfunded Assets</u>	
	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening fair value of scheme assets	1,106	940	-	-
Interest Income	42	33	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	70	(8)	-	-
Other	5	64	-	-
The effect of changes in foreign exchange rates				
Contributions from employer	112	34	-	-
Contributions from employees into the scheme	46	43	-	-
Benefits paid	(14)	-	-	-
<b>Closing fair value of Scheme Assets</b>	<b>1,367</b>	<b>1,106</b>	<b>-</b>	<b>-</b>

### Total of Assets and Liabilities of the schemes

Group:

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening Balance at 1 April	(46,786)	(67,987)	(1,325,000)	(1,454,160)
Current service cost	(7,449)	(8,676)	(20,280)	(27,490)
Interest cost	(1,660)	(2,221)	(46,750)	(47,890)
Return on plan assets (excluding the amount included in the net interest expense)	13,445	(1,205)	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	1,774	-	29,850	22,310
- Actuarial gains/losses arising from changes in financial assumptions	(54,629)	25,306	(309,870)	132,780
- Other	(362)	2,233	2,932	12,269
Past service costs	(201)	(483)	(60)	(40)
Contributions from Employers	6,387	6,247	37,658	37,221
<b>Closing Balance at 31 March</b>	<b>(89,481)</b>	<b>(46,786)</b>	<b>(1,631,520)</b>	<b>(1,325,000)</b>

PCC:

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Opening Balance at 1 April	(471)	(623)	-	-
Current service cost	(197)	(210)	-	-
Interest cost	(19)	(23)	-	-
Return on plan assets (excluding the amount included in the net interest expense)	70	(8)	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	11	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(565)	294	-	-
- Other	16	65	-	-
Past service costs	-	-	-	-
Contributions from Employers	112	34	-	-
<b>Closing Balance at 31 March</b>	<b>(1,043)</b>	<b>(471)</b>	<b>-</b>	<b>-</b>

The total net pension liabilities of £1,721m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,698.8m (page 18). 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.

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. In addition to the assets listed in the table, additional employer's contributions for pension strain have been accrued (£3.5k). Reciprocal liabilities associated with these additional pension strain costs have also been reflected in the gross pension liabilities note.

Group:

	Fair Value of Scheme Assets	
	31 March	31 March
	2017	2016
	£000	£000
Cash and cash equivalents	5,454	3,585
Equity instruments - industry type:		
- Consumer	14,099	11,921
- Manufacturing	11,001	8,656
- Energy and utilities	5,259	3,731
- Financial institutions	12,168	10,870
- Health and care	5,724	5,306
- Information technology	5,411	4,997
- Other	0	0
Sub total Equity	<b>53,661</b>	<b>45,480</b>
Bonds - by Sector		
- Corporate	0	0
- Government	0	0
- Other	0	0
Sub total Bonds	<b>0</b>	<b>0</b>
Property - by type		
- UK property	17,671	18,933
- Overseas property	2,955	2,560
Sub total Property	<b>20,626</b>	<b>21,493</b>
Private equity - all:	<b>11,832</b>	<b>10,680</b>
Other investment funds:		
- Equities	50,281	42,657
- Bonds	47,850	42,736
- Hedge Funds	0	0
- Infrastructure	0	0
- Other	0	0
Sub total other investment funds	<b>98,131</b>	<b>85,393</b>
Derivatives:		
- Foreign exchange	(392)	(514)
- Other	0	0
Sub total Derivatives	<b>(392)</b>	<b>(514)</b>
<b>Total Assets</b>	<b><u>189,311</u></b>	<b><u>166,117</u></b>

The PCC'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 following categories:

PCC:

	<b>Fair Value of Scheme Assets</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents	39	24
Equity instruments - industry type:		
- Consumer	102	79
- Manufacturing	79	58
- Energy and utilities	38	25
- Financial institutions	88	72
- Health and care	41	35
- Information technology	39	33
- Other	0	0
Sub total Equity	<u>388</u>	<u>303</u>
Bonds - by Sector		
- Corporate	0	0
- Government	0	0
- Other	0	0
Sub total Bonds	<u>0</u>	<u>0</u>
Property - by type		
- UK property	128	126
- Overseas property	21	17
Sub total Property	<u>149</u>	<u>143</u>
Private equity - all:	85	71
Other investment funds:		
- Equities	363	284
- Bonds	346	285
- Hedge Funds	0	0
- Infrastructure	0	0
- Other	0	0
Sub total other investment funds	<u>709</u>	<u>569</u>
Derivatives:		
- Foreign exchange	(3)	(3)
- Other	0	0
Sub total Derivatives	<u>(3)</u>	<u>(3)</u>
<b>Total Assets</b>	<u><b>1,367</b></u>	<u><b>1,106</b></u>

## Basis for estimating assets and liabilities

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

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

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	22.1	22.1	23.2	23.1
Women	24.4	24.3	25.2	25.1
Longevity at 65 for future pensioners				
Men	24.1	24.5	25.2	25.1
Women	26.4	26.9	27.3	27.2
Rate of inflation (CPI - LGPS and CPI - PPS)	2.40%	2.20%	2.35%	2.20%
Rate of increases in salaries	2.70%	3.20%	4.35%	4.20%
Rate of increases in salaries (short term)			1.00%	1.00%
Rate of increase in pensions	2.40%	2.20%	2.35%	2.20%
Rate for discounting scheme liabilities	2.60%	3.50%	2.65%	3.55%
Rate of CARE revaluation	n/a	n/a	3.60%	3.45%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions 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.

Group:

	<u>Local Government</u> <u>Pension Scheme</u>		<u>Police</u> <u>Pension Schemes</u>	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	14.0%	34,558	9.8%	159,200
1 year increase in member life expectancy	3.0 - 5.0	7,011 - 13,418	2.6%	424,000
0.5% increase in the Salary Increase Rate	3.5%	7,034	1.2%	20,000
0.5% increase in the Pension Increase Rate	11.0%	26,897	9.2%	149,300
1 year increase in early retirement	n/a	n/a	0.1%	1,300

PCC:

	<u>Local Government</u> <u>Pension Scheme</u>		<u>Police</u> <u>Pension Schemes</u>	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	16.0%	380		
1 year increase in member life expectancy	3.0 - 5.0%	69 - 115		
0.5% increase in the Salary Increase Rate	4.0%	92		
0.5% increase in the Pension Increase Rate	12.0%	281		

**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. The 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 17.8% plus £0.887m (13% plus 2.128m 2015/16) respectively. The last triennial valuation was dated 31 March 2016.

Estimated employer's contributions for 2017/18 amount to £6.6m on the LGPS and £26.1m on the Police schemes.

Maturity profile of the defined benefit obligation:



Group:

	<u>LGPS</u>			<u>Police Pension Schemes</u> <u>excluding injury</u>		
	Funded Liability split as at 31 March 2017 £000	Funded Liability split as at 31 March 2017 %	Weighted Average Duration at Previous Formal Valuation	Liability split as at 31 March 2017 £000	Liability split as at 31 March 2017 %	Weighted average duration of the defined benefit obligation
Active members	145,616	52.3%	26.7	744,210	45.6%	
Deferred members	57,233	20.5%	26.8	35,380	2.2%	
Pensioner members	75,704	27.2%	12.6	851,930	52.2%	
<b>Total</b>	<b>278,553</b>	<b>100%</b>	<b>21.9</b>	<b>1,631,520</b>	<b>100%</b>	<b>21</b>

The actuary does not provide a split of the weighted average duration of the defined benefit scheme between active, deferred and pensioner members for the Police Pension Schemes.

PCC:

	<u>LGPS</u>		
	Funded Liability split as at 31 March 2017 £000	Funded Liability split as at 31 March 2017 %	Weighted Average Duration at Previous Formal Valuation
Active members	1,641	68.1%	30.6
Deferred members	405	16.8%	36.2
Pensioner members	364	15.1%	16.1
<b>Total</b>	<b>2,410</b>	<b>100%</b>	<b>28.4</b>

## 18. 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 2017 temporary lending comprised:

	<b>31 March 2017</b> <b>£000</b>	<b>31 March 2016</b> <b>£000</b>
<b>Money market and temporary cash deposits</b>		
Banks	18,112	17,112
Building societies	4,018	6,006
Local Authorities		3,002
<b>Total temporary lending</b>	<b>22,130</b>	<b>26,121</b>
<b>Represented by:</b>		
Cash and cash equivalents	2,003	5,004
Short term investments	20,127	21,117

## 19. Debtors and Prepayments

	2016/17	2015/16
	£000	£000
<b>Short term debtors:</b>		
Central government bodies (includes pension top up grant)	6,080	5,694
Other local authorities	2,383	4,296
NHS Bodies	232	36
Other entities and individuals	2,036	2,092
Prepayments	2,048	2,341
<b>Balance at 31 March</b>	<b>12,779</b>	<b>14,460</b>

## 20. Cash and Cash Equivalents

	2016/17	2015/16
	£000	£000
Imprest accounts	68	68
Bank current accounts	2,275	2,574
Instant access deposits with banks	6	764
Deposit with a maturity date less than 3 months from acquisition	2,003	5,004
<b>Balance at 31 March</b>	<b>4,351</b>	<b>8,409</b>

## 21. Assets Held for Sale

	Current		Non-current	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
<b>Balance at 1 April</b>	176	409	-	-
<b>Assets newly classified as held for sale:</b>				
Property, plant and equipment	554	176	-	-
<b>Assets declassified as held for sale:</b>				
Property, plant and equipment	-	-	-	-
<b>Assets sold</b>	(500)	(409)	-	-
<b>Balance at 31 March</b>	<b>230</b>	<b>176</b>	<b>-</b>	<b>-</b>

## 22. Creditors

Group:

	2016/17	2015/16
	£000	£000
<b>Short term creditors:</b>		
Central government bodies	3,880	3,161
Other local authorities	2,124	4,573
NHS Bodies	289	189
Public corporations and trading funds	(17)	-
Other entities and individuals	8,476	8,510
<b>Balance at 31 March</b>	<b>14,752</b>	<b>16,434</b>

PCC:

	2016/17	2015/16
	£000	£000
<b>Short term creditors:</b>		
Central government bodies	3,880	3,161
Other local authorities	2,124	4,573
NHS Bodies	289	189
Public corporations and trading funds	(17)	-
Other entities and individuals	7,702	7,820
<b>Balance at 31 March</b>	<b>13,978</b>	<b>15,743</b>

## 23. 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 two open claims against Norfolk Constabulary. As this point in time, it is not possible to calculate the amount payable on these claims if they prove to be successful.

### Capped Overtime Claims

The organisation has a liability in respect of historic overtime claims for Covert Human Intelligence Source (CHIS) handlers and those of a similar nature. 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 and other claims. At this point in time Norfolk Police have 1 claim outstanding in respect of historic overtime. Individual claims are currently stayed whilst they are being assessed, at this point in time quantum cannot be accurately estimated. The claims primarily cover the period when the units were under joint collaborative control with Suffolk Police.

## **Pension Regulations – Unlawful Discrimination**

The Chief Constable of Norfolk, along with other Chief Constables and the Home Office, currently has 31 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the claims by officers. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the claims by officers. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

## **Forensic Service Uncertainty**

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

## **Employment Tribunal Claim**

The Constabularies are currently responding to a submission of claim to the Employment Tribunal, which has been taken out by a number of custody staff across Norfolk and Suffolk. The claim is in respect to a role evaluation and grading process, the results of which are being contested by the staff. Should the claimants be successful, there is a potential liability to the Constabularies that would equate to the difference in pay from April 2015 to date including allowances and any on-costs. The Constabulary as employers are robustly defending their position, and the timing and certainty of any liability are not at the point where a provision can be made.

## **24. 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 2017 relates to three Employment Tribunals and two Judicial Review. 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.

### Exit Packages

The exit package provision balance as at 31 March 2017 was to provide for one member of staff given notice prior to 1 April 2017 but who will not leave the Constabulary until after 31 March 2017. The balance also includes pension strain costs yet to be paid for 1 employee.

	Balance		Paid/	Balance
	1 April	Provision	Reversed	31 March
	2016	in year	in year	2017
	£000	£000	£000	£000
Insurance claims	810	490	(599)	701
Employment Tribunals and Judicial Reviews	20	51	(11)	60
Exit Packages	271	18	(271)	18
Pension	13	-	(13)	-
<b>Total</b>	<b>1,115</b>	<b>559</b>	<b>(895)</b>	<b>779</b>

## 25. Leases

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

### Operating Leases as Lessee:

The PCC has a number of properties 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	31 March
	2017	2016
	£000	£000
Not later than one year	409	437
later than one year but not later than five years	368	657
later than five years	-	-
	<u>777</u>	<u>1,093</u>

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

	2016/17	2015/16
	£000	£000
Minimum lease payments	473	598
Contingent rents	165	182
	<u>639</u>	<u>780</u>

### Operating Leases as Lessor:

The PCC has granted several leases on properties which have been accounting for as Operating Leases. The future minimum lease payments receivable under uncancellable leases in the future years are:

	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Not later than one year	5	14
later than one year but not later than five years	-	3
later than five years	-	-
	<u>5</u>	<u>17</u>

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

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Minimum lease payments	473	598
Contingent rents	165	182
	<u>639</u>	<u>780</u>

## 26. Usable Reserves

Movements in the Group's and the PCC's usable reserves are analysed as follows:

### Group

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
<b>Year Ended 31 March 2017</b>				
<b>Balance at 1 April 2016</b>	<b>29,014</b>	-	-	<b>29,014</b>
<b>Movement in Reserves during 2016/17</b>				
Surplus or (deficit) on provision of services (accounting basis)	(37,774)	-	-	(37,774)
Other comprehensive income and expenditure	-	-	-	-
<b>Total comprehensive income and expenditure</b>	<b>(37,774)</b>	-	-	<b>(37,774)</b>
Amortisation of intangible assets	643	-	-	643
Depreciation on property, plant and equipment	5,266	-	-	5,266
Revaluation losses on property, plant and equipment	284	-	-	284
Capital grants and contributions credited to the CIES	(1,142)	-	1,142	-
Application of capital grants from unapplied account	-	-	(647)	(647)
Net gain or loss on the sale of non-current assets	77	723	-	800
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	54,445	-	-	54,445
Movement on the collection fund adjustment account	425	-	-	425
Capital expenditure charged to the General Fund Balance	(2,435)	-	-	(2,435)
Statutory provision for the repayment of debt	(1,537)	-	-	(1,537)
Contribution to the Police Pension Fund	(22,090)	-	-	(22,090)
Movement on the Compensated Absences Account	84	-	-	84
Use of capital receipts to fund asset purchases	-	(723)	-	(723)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>34,019</b>	-	495	<b>34,513</b>
<b>Increase / decrease in year</b>	<b>(3,755)</b>	-	495	<b>(3,260)</b>
<b>Balance at 31 March 2017</b>	<b>25,259</b>	-	495	<b>25,754</b>

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
<b>Year Ended 31 March 2016</b>				
<b>Balance at 1 April 2015</b>	<b>37,197</b>	<b>-</b>	<b>11</b>	<b>37,208</b>
<b>Movement in Reserves during 2015/16</b>				
Surplus or (deficit) on provision of services (accounting basis)	(47,585)	-	-	(47,585)
Other comprehensive income and expenditure	-	-	-	-
<b>Total comprehensive income and expenditure</b>	<b>(47,585)</b>	<b>-</b>	<b>-</b>	<b>(47,585)</b>
Amortisation of intangible assets	480	-	-	480
Depreciation on property, plant and equipment	4,940	-	-	4,940
Revaluation losses on property, plant and equipment	245	-	-	245
Capital grants and contributions credited to the CIES	(1,654)	-	-	(1,654)
Application of capital grants from unapplied account	-	-	(11)	(11)
Net gain or loss on the sale of non-current assets	16	513	-	529
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	12	-	-	12
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	65,176	-	-	65,176
Movement on the collection fund adjustment account	152	-	-	152
Capital expenditure charged to the General Fund Balance	(3,558)	-	-	(3,558)
Statutory provision for the repayment of debt	(4,773)	-	-	(4,773)
Contribution to the Police Pension Fund	(21,844)	-	-	(21,844)
Movement on the Compensated Absences Account	211	-	-	211
Use of capital receipts to fund asset purchases	-	(513)	-	(513)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>39,402</b>	<b>-</b>	<b>(11)</b>	<b>39,391</b>
<b>Increase / decrease in year</b>	<b>(8,183)</b>	<b>-</b>	<b>(11)</b>	<b>(8,194)</b>
<b>Balance at 31 March 2016</b>	<b>29,014</b>	<b>-</b>	<b>-</b>	<b>29,014</b>



	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
<b>Year Ended 31 March 2017</b>	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>	<b>29,014</b>	-	-	<b>29,014</b>
<b>Movement in Reserves during 2016/17</b>				
Surplus or (deficit) on provision of services (accounting basis)	(5,438)	-	-	(5,438)
Other comprehensive income and expenditure	-	-	-	-
<b>Total comprehensive income and expenditure</b>	<b>(5,438)</b>	-	-	<b>(5,438)</b>
Amortisation of intangible assets	643	-	-	<b>643</b>
Depreciation on property, plant and equipment	5,266	-	-	<b>5,266</b>
Revaluation losses on property, plant and equipment	284	-	-	<b>284</b>
Capital grants and contributions credited to the CIES	(1,142)	-	1,142	-
Application of capital grants from unapplied account	-	-	(647)	<b>(647)</b>
Net gain or loss on the sale of non-current assets	77	723	-	<b>800</b>
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	104	-	-	<b>104</b>
Movement on the collection fund adjustment account	425	-	-	<b>425</b>
Capital expenditure charged to the General Fund Balance	(2,435)	-	-	<b>(2,435)</b>
Statutory provision for the repayment of debt	(1,537)	-	-	<b>(1,537)</b>
Use of capital receipts to fund asset purchases	-	(723)	-	<b>(723)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>1,683</b>	-	<b>495</b>	<b>2,178</b>
<b>Increase / decrease in year</b>	<b>(3,755)</b>	-	<b>495</b>	<b>(3,260)</b>
<b>Balance at 31 March 2017</b>	<b>25,259</b>	-	<b>495</b>	<b>25,753</b>

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
<b>Year Ended 31 March 2016</b>	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	<b>37,197</b>	<b>-</b>	<b>11</b>	<b>37,208</b>
<b>Movement in Reserves during 2015/16</b>				
Surplus or (deficit) on provision of services (accounting basis)	(4,241)	-	-	(4,241)
Other comprehensive income and expenditure	-	-	-	-
<b>Total comprehensive income and expenditure</b>	<b>(4,241)</b>	<b>-</b>	<b>-</b>	<b>(4,241)</b>
Amortisation of intangible assets	480	-	-	480
Depreciation on property, plant and equipment	4,940	-	-	4,940
Revaluation losses on property, plant and equipment	245	-	-	245
Capital grants and contributions credited to the CIES	(1,654)	-	-	(1,654)
Application of capital grants from unapplied account	-	-	(11)	(11)
Net gain or loss on the sale of non-current assets	16	513	-	529
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	12	-	12
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	65,176	-	-	65,176
Movement on the collection fund adjustment account	152	-	-	152
Capital expenditure charged to the General Fund Balance	(3,558)	-	-	(3,558)
Statutory provision for the repayment of debt	(4,773)	-	-	(4,773)
Use of capital receipts to fund asset purchases	-	(513)	-	(513)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>61,035</b>	<b>-</b>	<b>(11)</b>	<b>61,024</b>
<b>Increase / decrease in year</b>	<b>56,794</b>	<b>-</b>	<b>(11)</b>	<b>56,782</b>
<b>Balance at 31 March 2016</b>	<b>93,991</b>	<b>-</b>	<b>-</b>	<b>93,989</b>

## 27. Earmarked Balances within the General Fund

The movements in earmarked reserves in 2016/17 are analysed as follows:

		Balance				Balance
		1 April	Received	Applied	Reallocated	31 March
	Note	2016				2017
		£000	£000	£000	£000	£000
<b>Revenue reserves:</b>						
OCC Unitary Charge	(a)	1,760	-	(80)	-	1,680
PIC Unitary Charge	(b)	402	-	(18)	-	384
Insurance Reserve	(c)	786	-	-	-	786
Budget Support Reserve	(d)	7,796		(2,078)		5,718
Invest to Save Reserve	(e)	1,354	-	(274)	-	1,080
Safety Camera Reserve	(f)	1,285	636	(709)	-	1,212
PCC Reserve	(g)	938	406	(4)	-	1,341
Capital Financing Reserve	(h)	10,218	648	(2,283)		8,583
<b>Total</b>		<b>24,539</b>	<b>1,690</b>	<b>(5,446)</b>	<b>-</b>	<b>20,783</b>

**(a) OCC Unitary Charge**

The net excess of specific grant over unitary charge payments in the early years of the PFI funded OCC, to be offset against a net shortfall in the later years.

**(b) PIC Unitary Charge**

The net excess of specific grant over unitary charge payments in the first year of the PFI funded PICs, to be offset against a net shortfall in the later years.

**(c) Insurance Reserve**

The PCC pays the first £350,000 of every employer liability, public liability and motor claim. This reserve is held to cover large unexpected losses that may exceed the annual revenue budget.

**(d) Budget Support Reserve**

This reserve will be used to smooth the effects of significant budget pressures should they arise and require one-off funding support.

**(e) Invest to Save Reserve**

As part of the approved financial strategy this reserve is used to support one off investment on organisational change and projects that will generate future cost savings and benefits.

**(f) Safety Camera Reserve**

The PCC holds this reserve on behalf of the Norfolk Safety Camera Partnership (comprising Norfolk County Council, Norfolk Constabulary and the PCC). The reserve is used to finance road safety initiatives with a view to reducing the numbers killed and seriously injured in road traffic collisions. The reserve includes an amount (£250k) for scheme closure costs should the partnership come to an end.

**(g) PCC Reserve**

This reserve supports the strategic spending decisions made within the Office of the Police and Crime Commissioner.

**(h) Capital Financing Reserve**

This reserve has been established to support the Medium-Term Financial Plan in terms of the investment in the capital programme, in particular the development of the digital strategy, and is committed to financing part of the capital programme.

## 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 compensating 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.

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

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

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. It is also used to manage discounts received on the early redemption of loans. Discounts are credited to the CIES when they are received, but are reversed to the General Fund, this income is then posted from the General Fund in accordance with statutory arrangements for spreading the burden on council tax. Here this was 10 years from when the loan was redeemed, resulting in the balance at 31 March 2017 being recovered over the next 3 years.

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 provisions. 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. The first two tables provide the position for the Group; the second two tables provide the position for the PCC.

<b>Year Ended 31 March 2017</b>	<b>Pension Reserves</b> £000	<b>Revaluation Reserve</b> £000	<b>Capital Adj' Account</b> £000	<b>Collection Fund Adj' Account</b> £000	<b>Financial Instruments Adj' Account</b> £000	<b>Comp' Absences Account</b> £000	<b>Total Unusable Reserves</b> £000
<b>Balance at 1 April 2016</b>	<b>(1,371,786)</b>	<b>7,800</b>	<b>(14,455)</b>	<b>1,854</b>	<b>39</b>	<b>(691)</b>	<b>(1,377,239)</b>
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(316,860)	4,094	-	-	-	-	(312,766)
<b>Total comprehensive income and expenditure</b>	<b>(316,860)</b>	<b>4,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(312,766)</b>
Amortisation of intangible assets	-	-	(643)	-	-	-	(643)
Depreciation on property, plant and equipment	-	(301)	(4,965)	-	-	-	(5,266)
Revaluation losses on property, plant and equipment	-	-	(284)	-	-	-	(284)
Capital grants and contributions credited to the CIES	-	-	-	-	-	-	-
Application of capital grants from unapplied account	-	-	647	-	-	-	647
Net gain or loss on the sale of non-current assets	-	(269)	(531)	-	-	-	(800)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(54,445)	-	-	-	-	-	(54,445)
Movement on the collection fund adjustment account	-	-	-	(425)	-	-	(425)
Capital expenditure charged to the General Fund Balance	-	-	2,435	-	-	-	2,435
Statutory provision for the repayment of debt	-	-	1,537	-	-	-	1,537
Contribution to the Police Pension Fund	22,090	-	-	-	-	-	22,090
Movement on the Compensated Absences Account	-	-	-	-	-	(84)	(84)
Use of capital receipts to fund asset purchases	-	-	723	-	-	-	723
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(32,356)</b>	<b>(569)</b>	<b>(1,080)</b>	<b>(425)</b>	<b>-</b>	<b>(84)</b>	<b>(34,513)</b>
<b>Increase / decrease in year</b>	<b>(349,216)</b>	<b>3,524</b>	<b>(1,080)</b>	<b>(425)</b>	<b>-</b>	<b>(84)</b>	<b>(347,280)</b>
<b>Balance at 31 March 2017</b>	<b>(1,721,002)</b>	<b>11,324</b>	<b>(15,537)</b>	<b>1,429</b>	<b>39</b>	<b>(774)</b>	<b>(1,724,520)</b>

Year Ended 31 March 2016	Pension Reserves Restated £000	Revaluation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	Total Unusable Reserves £000
<b>Balance at 1 April 2015</b>	<b>(1,522,147)</b>	<b>8,193</b>	<b>(19,358)</b>	<b>2,006</b>	<b>51</b>	<b>(480)</b>	<b>(1,531,735)</b>
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	193,693	194	-	-	-	-	<b>193,887</b>
<b>Total comprehensive income and expenditure</b>	<b>193,693</b>	<b>194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193,887</b>
Amortisation of intangible assets	-	-	(480)	-	-	-	<b>(480)</b>
Depreciation on property, plant and equipment	-	(281)	(4,659)	-	-	-	<b>(4,940)</b>
Revaluation losses on property, plant and equipment	-	-	(245)	-	-	-	<b>(245)</b>
Capital grants and contributions credited to the CIES	-	-	1,654	-	-	-	<b>1,654</b>
Application of capital grants from unapplied account	-	-	11	-	-	-	<b>11</b>
Net gain or loss on the sale of non-current assets	-	(306)	(223)	-	-	-	<b>(529)</b>
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	-	-	-	(12)	-	<b>(12)</b>
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(65,176)	-	-	-	-	-	<b>(65,176)</b>
Movement on the collection fund adjustment account	-	-	-	(152)	-	-	<b>(152)</b>
Capital expenditure charged to the General Fund Balance	-	-	3,558	-	-	-	<b>3,558</b>
Statutory provision for the repayment of debt	-	-	4,773	-	-	-	<b>4,773</b>
Contribution to the Police Pension Fund	21,844	-	-	-	-	-	<b>21,844</b>
Movement on the Compensated Absences Account	-	-	-	-	-	(211)	<b>(211)</b>
Use of capital receipts to fund asset purchases	-	-	513	-	-	-	<b>513</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(43,332)</b>	<b>(587)</b>	<b>4,903</b>	<b>(152)</b>	<b>(12)</b>	<b>(211)</b>	<b>(39,391)</b>
<b>Increase / decrease in year</b>	<b>150,361</b>	<b>(393)</b>	<b>4,903</b>	<b>(152)</b>	<b>(12)</b>	<b>(211)</b>	<b>154,496</b>
<b>Balance at 31 March 2016</b>	<b>(1,371,786)</b>	<b>7,800</b>	<b>(14,455)</b>	<b>1,854</b>	<b>39</b>	<b>(691)</b>	<b>(1,377,240)</b>

<b>Year Ended 31 March 2017</b>	<b>Pension Reserves</b> £000	<b>Reval- -uation Reserve</b> £000	<b>Capital Adj' Account</b> £000	<b>Collection Fund Adj' Account</b> £000	<b>Financial Instruments Adj' Account</b> £000	<b>Comp' Absences Account</b> £000	<b>Total Unusable Reserves</b> £000
<b>Balance at 1 April 2016</b>	(471)	7,799	(14,455)	1,854	39	-	(5,234)
Other comprehensive income and expenditure	(468)	4,094	-	-	-	-	3,626
<b>Total comprehensive income and expenditure</b>	<b>(468)</b>	<b>4,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,626</b>
Amortisation of intangible assets	-	-	(643)	-	-	-	(643)
Depreciation on property, plant and equipment	-	(301)	(4,965)	-	-	-	(5,266)
Revaluation losses on property, plant and equipment	-	-	(284)	-	-	-	(284)
Capital grants and contributions credited to the CIES	-	-	-	-	-	-	-
Application of capital grants from unapplied account	-	-	647	-	-	-	647
Net gain or loss on the sale of non-current assets	-	(269)	(531)	-	-	-	(800)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(104)	-	-	-	-	-	(104)
Movement on the collection fund adjustment account	-	-	-	(425)	-	-	(425)
Capital expenditure charged to the General Fund Balance	-	-	2,435	-	-	-	2,435
Statutory provision for the repayment of debt	-	-	1,537	-	-	-	1,537
Use of capital receipts to fund asset purchases	-	-	723	-	-	-	723
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(104)</b>	<b>(569)</b>	<b>(1,080)</b>	<b>(425)</b>	<b>-</b>	<b>-</b>	<b>(2,178)</b>
<b>Increase / decrease in year</b>	<b>(572)</b>	<b>3,524</b>	<b>(1,080)</b>	<b>(425)</b>	<b>-</b>	<b>-</b>	<b>1,448</b>
<b>Balance at 31 March 2017</b>	<b>(1,043)</b>	<b>11,324</b>	<b>(15,536)</b>	<b>1,429</b>	<b>39</b>	<b>-</b>	<b>(3,786)</b>

<b>Year Ended 31 March 2016</b>	<b>Pension Reserves</b>	<b>Reval- -uation Reserve</b>	<b>Capital Adj' Account</b>	<b>Collection Fund Adj' Account</b>	<b>Financial Instruments Adj' Account</b>	<b>Comp' Absences Account</b>	<b>Total Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2015</b>	<b>(623)</b>	<b>8,192</b>	<b>(19,358)</b>	<b>2,006</b>	<b>51</b>	<b>-</b>	<b>(9,732)</b>
Other comprehensive income and expenditure	351	194	-	-	-	-	545
<b>Total comprehensive income and expenditure</b>	<b>351</b>	<b>194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>545</b>
Amortisation of intangible assets	-	-	(480)	-	-	-	(480)
Depreciation on property, plant and equipment	-	(281)	(4,659)	-	-	-	(4,940)
Revaluation losses on property, plant and equipment	-	-	(245)	-	-	-	(245)
Capital grants and contributions credited to the CIES	-	-	1,654	-	-	-	1,654
Application of capital grants from unapplied account	-	-	11	-	-	-	11
Net gain or loss on the sale of non-current assets	-	(306)	(223)	-	-	-	(529)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	-	-	-	(12)	-	(12)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(199)	-	-	-	-	-	(199)
Movement on the collection fund adjustment account	-	-	-	(152)	-	-	(152)
Capital expenditure charged to the General Fund Balance	-	-	3,558	-	-	-	3,558
Statutory provision for the repayment of debt	-	-	4,773	-	-	-	4,773
Use of capital receipts to fund asset purchases	-	-	513	-	-	-	513
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(199)</b>	<b>(587)</b>	<b>4,903</b>	<b>(152)</b>	<b>(12)</b>	<b>-</b>	<b>3,953</b>
<b>Increase / decrease in year</b>	<b>152</b>	<b>(393)</b>	<b>4,903</b>	<b>(152)</b>	<b>(12)</b>	<b>-</b>	<b>4,498</b>
<b>Balance at 31 March 2016</b>	<b>(471)</b>	<b>7,799</b>	<b>(14,455)</b>	<b>1,854</b>	<b>39</b>	<b>-</b>	<b>(5,234)</b>



## 29. Movements in Cash

Group

<b>1 April 2015 £000</b>	<b>31 March 2016 £000</b>		<b>1 April 2016 £000</b>	<b>31 March 2017 £000</b>
12,997	8,409	Cash and cash equivalents	8,409	4,351
<u>12,997</u>	<u>8,409</u>	Cash inflows	<u>8,409</u>	<u>4,351</u>
	<u><b>(4,588)</b></u>	<b>Increase / (decrease) in cash and cash equivalents</b>		<u><b>(4,058)</b></u>

PCC

<b>1 April 2015 £000</b>	<b>31 March 2016 £000</b>		<b>1 April 2016 £000</b>	<b>31 March 2017 £000</b>
12,997	8,409	Cash and cash equivalents	8,409	4,351
<u>12,997</u>	<u>8,409</u>	Cash inflows	<u>8,409</u>	<u>4,351</u>
	<u><b>(4,588)</b></u>	<b>Increase / (decrease) in cash and cash equivalents</b>		<u><b>(4,058)</b></u>

### 30. Cash Flow Statement – Investing and Financing Activities

2015/16 £000		2016/17 £000
<b>Cash Flow Statement - Investing Activities</b>		
6,046	Purchase of non current assets	6,626
	Other payments for investing activities	
31,000	Purchase of short-term or long term investments	20,000
(513)	Proceeds from the sale of non currents assets	(723)
(30,000)	Proceeds from short-term or long-term investments	(21,000)
	Other receipts from investing activities	
<u>6,533</u>	<b>Cash outflow</b>	<u>4,903</u>
<b>Cash Flow Statement - Financing Activities</b>		
(6,000)	Cash receipts of short and long-term borrowing	(7,000)
(1,654)	Other receipts from financing activities	(1,142)
1,098	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	908
1,180	Repayments of short and long-term borrowing	6,000
<u>(5,376)</u>	<b>Cash outflow</b>	<u>(1,235)</u>

## 31. Reconciliation of Revenue Cash Flow

Group:

2015/16			2016/17	
£000	£000		£000	£000
		<b>Adjustment for non cash or cash equivalent items within deficit on provision of services:</b>		
5,665		Depreciation and impairments		6,192
16		Profit and loss on disposal of fixed assets		77
-		Internal capital movement met from revenue		-
43,332		Movements on pension liability		32,356
-	-	Other		-
<u>49,012</u>				<u>38,625</u>
	(154)	Increase/(decrease) in revenue creditors	(1,418)	
	(3,224)	Decrease/(increase) in revenue debtors	1,670	
	(206)	Decrease/(increase) in stocks	(15)	
	380	Increase/(decrease) in revenue provisions	(336)	
	-	Increase/(decrease) in grants received in advance	-	
(3,205)	<u>          </u>		<u>          </u>	(98)
<u><b>45,808</b></u>				<u><b>38,527</b></u>
		<b>The cash flows for operating activities include:</b>		
7,092		Interest paid and similar charges		7,095
(268)		Interest received		(248)

PCC:

2015/16			2016/17	
£000	£000		£000	£000
		<b>Adjustment for non cash or cash equivalent items within deficit on provision of services:</b>		
5,665		Depreciation and impairments		6,192
16		Profit and loss on disposal of fixed assets		77
-		Internal capital movement met from revenue		-
199		Movements on pension liability		104
-		Other		-
<u>5,880</u>				<u>6,373</u>
	(365)	Increase/(decrease) in revenue creditors	(1,501)	
	(3,224)	Decrease/(increase) in revenue debtors	1,670	
	(206)	Decrease/(increase) in stocks	(15)	
	380	Increase/(decrease) in revenue provisions	(336)	
	-	Increase/(decrease) in grants received in advance	-	
(3,416)	<u>          </u>		<u>          </u>	(182)
<u><b>2,464</b></u>				<u><b>6,191</b></u>
		<b>The cash flows for operating activities include:</b>		
7,092		Interest paid and similar charges		7,095
(268)		Interest received		(248)

## 32. Financial Instruments

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

	Current		Long Term	
	31.3.17 £000	31.3.16 £000 Restated	31.3.17 £000	31.3.16 £000
<b>Investments</b>				
Loans and receivables	22,130	26,121	-	-
	<b>22,130</b>	<b>26,121</b>	-	-
<b>Debtors</b>				
Balances per Balance Sheet	12,779	14,460	-	-
Balances relating to council tax	(2,671)	(3,062)	-	-
Prepayments	(2,048)	(2,341)	-	-
VAT	(1,096)	(1,916)	-	-
Home Office pensions grant debtor	(2,009)	(1,773)	-	-
<b>Debtors classified as loans and receivables</b>	<b>4,955</b>	<b>5,367</b>	<b>0</b>	<b>0</b>
<b>Borrowings</b>				
Financial borrowings at amortised cost	7,000	6,001	12,840	12,840
	<b>7,000</b>	<b>6,001</b>	<b>12,840</b>	<b>12,840</b>
<b>Other long term liabilities</b>				
PFI and finance lease liabilities	990	908	61,375	62,365
	<b>990</b>	<b>908</b>	<b>61,375</b>	<b>62,365</b>
<b>Creditors</b>				
Balances per Balance Sheet	14,752	16,434	-	-
Balances relating to council tax	(1,241)	(1,208)	-	-
Balances relating to compensated absences	(774)	(691)	-	-
Third party funds	(696)	(595)	-	-
Balances relating to HMRC	(2,770)	(2,687)	-	-
Receipts in advance	(177)	(120)	-	-
PIC deferred service credit	(641)	(667)	-	-
<b>Creditors classified as financial liabilities at amortised cost</b>	<b>8,452</b>	<b>10,466</b>	-	-

Included within short term borrowing is an amount of £7m which was borrowed at the end of the year for cashflow purposes due to the maturity profile of short-term investments.

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

	2016/17			2015/16		
	Financial		Total	Financial		Total
	Liabilities at amortised cost £000	Loans and receivables £000		Liabilities at amortised cost £000	Loans and receivables £000	
<b>Expense</b>						
Interest expense	6,495	-	6,495	6,595	-	6,595
Contingent rent on PFI	600	-	600	577	-	577
<b>Total in Surplus or Deficit on the Provision of Services</b>	<b>7,095</b>	<b>-</b>	<b>7,095</b>	<b>7,172</b>	<b>-</b>	<b>7,172</b>
<b>Income</b>						
Interest income	-	(254)	(254)	-	(265)	(265)
<b>Total in Surplus or Deficit on the Provision of Services</b>	<b>7,095</b>	<b>(254)</b>	<b>6,841</b>	<b>7,172</b>	<b>(265)</b>	<b>6,907</b>

Financial liabilities, financial assets represented by 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 for 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 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 below:

	31 March 2017		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
	<b>Financial liabilities</b>			
PWLB loan	12,840	21,337	12,840	20,164
	<b>12,840</b>	<b>21,337</b>	<b>12,840</b>	<b>20,164</b>

The fair value of the liabilities in 2016/17 is higher than the carrying amount because the rates payable for the PWLB loans are higher than the prevailing rate at the balance sheet date.

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 Strategy. 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. Deposits are not made with banks, financial institutions and other local authorities unless they meet the minimum criteria specified in the Annual Investment and Treasury Strategy, which requires that counterparties meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. In 2016/17, the PCC has a policy not to lend any more than £10m to any individual financial institution, authority or banking group.

The PCC uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The PCC's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the PCC's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The following analysis summarises the PCC's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectible debts over the past five financial years, adjusted to reflect current market conditions. The historical experience of default percentages for bonds are the average 1 year default rates published by the three main rating agencies relating to 2015 figures, they do not relate to the PCC's experience of default.

	Amount at 31.3.17 £000	Historical experience of default %	Adjusted for market conditions %	Estimated exposure to default £000
<b>Bonds rated:</b>				
AA	4,000	0.01%	0.03%	1
A	18,000	0.07%	0.08%	14
Customers	1,616	0.08%	0.08%	1
	<b>23,616</b>			<b>16</b>

No credit limits were exceeded during the reporting period and the PCC does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Of the £1,616k outstanding from customers £593k is past its due date for payment at the year-end. The past due amount can be analysed by age as follows:

	Amount Due 31.3.17 £000	Amount Due 31.3.16 £000
Less than three months	432	408
Three to six months	45	20
Six months to one year	17	50
More than one year	99	-
	<u>593</u>	<u>478</u>

### Liquidity risk

The PCC manages its liquidity position through the risk management procedures set out in the Annual Investment and Treasury Strategy, and the approval of weekly treasury monitoring reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

If unexpected movements happen the PCC has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). The PCC is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The PCC has 20 loans with the PWLB that are repayable on maturity. The loans are due to mature between 6 and 41 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 Strategy. Whilst the cash flow procedures above 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 Strategy addresses the main risks and the treasury management function addresses the operational risks within the approved parameters.

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

### Market risk – interest risk

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

The PCC has mitigated 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 the contract rate payable. However borrowings are not carried at fair value, so nominal gains or losses on fixed rate borrowings 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 liability by £2,732k.

### Market risk – price risk

The PCC does not invest in equity shares and therefore has no exposure to price risk.

### Market risk – exchange risk

The PCC has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 33. Collaborative Arrangements

Norfolk and Suffolk Constabularies have implemented and are developing ways in which both forces can work together to improve performance and to make financial savings. Currently, from a collaborative point of view, the forces are focusing on Protective Services, Justice Services, Business Support, and from April 2015, elements of County Policing. At 31 March 2017 significant progress towards fully collaborated units had been made, with many units working as joint departments, with operational cost sharing, while other units currently only share common management costs. Although both forces control their own financial arrangements in respect of these units, an agreement was drawn up to enable certain costs to be shared on an agreed ratio. The PCC regards these units as Jointly Controlled Operations. The agreed shared costs of fully collaborated units that arose during the year was as follows:

	<b>Business Support</b>	<b>Justice Services</b>	<b>Protective Services</b>	<b>County Policing</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2016/17</b>					
Suffolk PCC	16,816	8,955	15,396	1,023	42,190
Norfolk PCC	22,110	11,774	20,242	1,345	55,472
<b>Total shared running costs</b>	<b>38,926</b>	<b>20,729</b>	<b>35,638</b>	<b>2,368</b>	<b>97,662</b>
<b>2015/16</b>					
Suffolk PCC	16,676	9,015	14,946	709	41,346
Norfolk PCC	21,659	11,709	19,413	921	53,702
<b>Total shared running costs</b>	<b>38,335</b>	<b>20,724</b>	<b>34,359</b>	<b>1,630</b>	<b>95,048</b>

On 1 April 2010, police forces within the Eastern Region entered into a collaborative agreement called the Eastern Region Specialist Operations Unit (ERSOU); Bedfordshire act as the lead PCC. The net expenditure incurred by each force is as follows:

	<b>Total 2016/17</b>	<b>Total 2015/16</b>
	<b>£000</b>	<b>£000</b>
Operating costs	16,089	14,458
Specific Home Office grant	(2,676)	(2,597)
Other income	-	-
<b>Total Deficit/ (Surplus) for the year</b>	<b>13,414</b>	<b>11,861</b>
<b>Contributions from forces:</b>		
Bedfordshire	(1,828)	(1,715)
Cambridgeshire	(2,357)	(2,160)
Essex	(916)	(576)
Hertfordshire	(3,301)	(3,095)
Kent	(406)	-
Norfolk	(2,671)	(2,441)
Suffolk	(2,040)	(1,874)
<b>Deficit/ (Surplus) for the year</b>	<b>(106)</b>	<b>-</b>
Norfolk underspend held in Balance Sheet	1	-



### 34. Post Balance Sheet Events

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

### 35. Capital Commitments

Significant commitments under capital contracts as at 31 March 2017 are analysed as follows:

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
27	Towed Welfare Units	
106	Speed Cameras	
2,310	Estates strategy	2,572
	ICT replacements & equipment refresh	139
	Athena	102
	Vehicles	56
	Other	57
<u>2,443</u>	<b>Total committed</b>	<u>2,926</u>

### 36. Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors

Within the CIES, the objective basis for presentation has changed from SeRCoP (Service Reporting Code of Practice) to that used for segmental reporting. Reportable segments are those used for internal management reporting.

#### Comprehensive Income and Expenditure Statement – Group

	Audited Statements			Change			Restated comparators		
	Gross		Net	Gross		Net	Gross		Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Division of Service:</b>									
Local Policing	77,528	(2,718)	74,810	(77,528)	2,718	(74,810)	-	-	-
Dealing with the Public	12,591	(477)	12,114	(12,591)	477	(12,114)	-	-	-
Criminal Justice Arrangements	18,034	(5,607)	12,427	(18,034)	5,607	(12,427)	-	-	-
Road Policing	5,862	(1,777)	4,086	(5,862)	1,777	(4,086)	-	-	-
Specialist Operations	8,480	(565)	7,915	(8,480)	565	(7,915)	-	-	-
Intelligence	8,866	(289)	8,577	(8,866)	289	(8,577)	-	-	-
Investigations	34,733	(1,776)	32,957	(34,733)	1,776	(32,957)	-	-	-
Investigative Support	4,753	(247)	4,506	(4,753)	247	(4,506)	-	-	-
National Policing	14,154	(13,561)	593	(14,154)	13,561	(593)	-	-	-
Non-distributed costs	523	-	523	(523)	-	(523)	-	-	-
Corporate and democratic core	1,384	(45)	1,339	(1,384)	45	(1,339)	-	-	-
Chief Constable	-	-	-	171,296	(13,586)	157,710	171,296	(13,586)	157,710
PCC's Office	-	-	-	13,919	(11,785)	2,133	13,919	(11,785)	2,133
PCC Commissioning	1,795	(981)	813	2	-	2	1,796	(981)	815
<b>Net Cost of Police Services</b>	<b>188,701</b>	<b>(28,042)</b>	<b>160,659</b>	<b>(1,690)</b>	<b>1,690</b>	<b>-</b>	<b>187,011</b>	<b>(26,352)</b>	<b>160,659</b>

## Comprehensive Income and Expenditure Statement – PCC

	Audited Statements			Change			Restated comparators		
	Gross		Net	Gross		Net	Gross		Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Local Policing	3,795	(1,626)	2,169	(3,795)	1,626	(2,169)	-	-	-
Dealing with the Public	612	(301)	311	(612)	301	(311)	-	-	-
Criminal Justice Arrangements	881	(3,815)	(2,934)	(881)	3,815	2,934	-	-	-
Road Policing	267	(86)	181	(267)	86	(181)	-	-	-
Specialist Operations	305	(133)	172	(305)	133	(172)	-	-	-
Intelligence	313	(143)	170	(313)	143	(170)	-	-	-
Investigations	1,451	(678)	774	(1,451)	678	(774)	-	-	-
Investigative Support	179	(81)	98	(179)	81	(98)	-	-	-
National Policing	5,014	(4,876)	138	(5,014)	4,876	(138)	-	-	-
Non-distributed costs	-	-	-	-	-	-	-	-	-
Corporate and democratic core	1,384	(45)	1,339	(1,384)	45	(1,339)	-	-	-
PCC's Office	-	-	-	13,919	(11,785)	2,133	13,919	(11,785)	2,133
PCC Commissioning	1,795	(981)	813	2	-	2	1,796	(981)	815
<b>Net Cost of Police Services before group funding</b>	<b>15,997</b>	<b>(12,767)</b>	<b>3,230</b>	<b>(282)</b>	<b>-</b>	<b>(282)</b>	<b>15,715</b>	<b>(12,767)</b>	<b>2,949</b>
Intra-group funding	164,173	-	164,173	281	-	281	164,454	-	164,454
<b>Net Cost of Policing Services</b>	<b>180,170</b>	<b>(12,767)</b>	<b>167,403</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	<b>180,169</b>	<b>(12,767)</b>	<b>167,403</b>

# Police Pension Fund Accounting Statements

## Fund Account

2015/16		2016/17	
£000	£000	£000	£000
<b>Contributions receivable</b>			
Employer			
	11,710	Normal	11,421
	620	Early retirements	1,108
12,329	<u>        </u>		<u>        </u>
		Members	
	7,540	Normal	7,313
7,540	<u>        </u>		<u>        </u>
<b>Transfers in</b>			
	731	Individual transfers in from other schemes	514
731	<u>        </u>		<u>        </u>
<b>Benefits payable</b>			
	(32,087)	Pensions	(33,238)
	(11,553)	Commutations and lump sum retirement benefits	(10,739)
(43,640)	<u>        </u>		<u>        </u>
<b>Payments to and on account of leavers</b>			
	(13)	Refunds on contributions	(21)
	(386)	Individual transfers out to other schemes	-
(399)	<u>        </u>		<u>        </u>
<b>(23,438)</b>		<b>Net amount receivable for the year before contribution from the Police General Fund</b>	<b>(23,643)</b>
<b>21,844</b>		<b>Contribution from the Police General Fund</b>	<b>22,088</b>
<b>1,594</b>		<b>Additional funding payable by the local policing body</b>	<b>1,555</b>
<u>        </u>			<u>        </u>
-		<b>Net balance receivable for the year</b>	<b>-</b>
<u>        </u>			<u>        </u>

The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2016 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

## Net Assets and Liabilities

	2015/16	2016/17
	£000	£000
<b>Net current assets</b>		
Net balance receivable from the Police General Fund	-	-
	<u>        </u>	<u>        </u>
	-	-
	<u>        </u>	<u>        </u>

# 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 valuation (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.

## **Emoluments**

All sums paid to or receivable by an employee; sums due as expenses allowances (as far as these are subject to UK income tax); and the money value of any other benefits received other than in cash. An employee's pension contributions are deducted from emoluments.

## **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 PCC 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**

Reference 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 method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

**Precept**

The proportion of the budget raised from council tax.

**Provision**

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

**PWLB**

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

**Related parties**

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

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

**Retirement Benefits**

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

**Scheme Liabilities**

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

**Settlement**

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

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

**Useful life**

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

**Vested Rights**

In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled 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.  
or spouses or other dependants.



**NORFOLK**  
CONSTABULARY  
*Our Priority is You*

# **THE CHIEF CONSTABLE OF NORFOLK CONSTABULARY**

## **STATEMENT OF ACCOUNTS**

**31 March 2017**

DRAFT



**Statement of Accounts  
for the year ended 31 March 2017**

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**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF NORFOLK CONSTABULARY**

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# Statement of Responsibilities for the Statement of Accounts

## The Chief Constable of Norfolk Constabulary's Responsibilities

The Chief Constable must:

- arrange for the proper administration of the Chief Constable's financial affairs and ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer of the Chief Constable.
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

I approve the following Statement of Accounts:

**Simon Bailey**  
**Chief Constable of Norfolk Constabulary**

**September 2017**

## Chief Finance Officer of the Chief Constable Responsibilities

The CFO Chief Constable 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 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 of Practice and its application to local authority accounting.

The CFO 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.

## Certificate 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 Authority at 31 March 2017, and its income and expenditure for the year to that date.

**John Hummersone FCPFA**

**June 2017**

## Chair of Audit Committee

These accounts were reviewed by the Audit Committee on behalf of the Chief Constable on September 2017

**Rob Bennett**

**September 2017**

# Narrative Report

## Introduction

This Narrative Report provides information about Norfolk Constabulary, and the Chief Constable of Norfolk's accounts, including the key issues affecting the Chief Constable accounts. It also provides a summary of the financial position at 31st March 2017, and is structured as below:

1. The policing context for Norfolk
2. Impact of the governance arrangements on the Financial Statements of the PCC and Chief Constable
3. Explanation of the Financial Statements
4. The 2016/17 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Looking forward

## 1. The policing context for Norfolk

### Information about the role 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 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 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 within 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 2,077 square miles with approximately 100 miles of coastline. The June 2015 census estimated Norfolk's population at 884,978, an increase of 7,268 on the previous year (2016 estimate is due for release June 2017)<sup>1</sup>. Although a predominantly rural area, around 40% of Norfolk's population live in the four main urban areas of Norwich, Great Yarmouth, King's Lynn and Thetford.

Norfolk has a much older age profile than England as a whole, with 23.0% of Norfolk's population aged 65 and older compared with 17.3% in England<sup>2</sup>. Over the next ten years there is a projected growth of 60,600 people

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<sup>1</sup> Mid 2015 Population Estimates, Office of National Statistics: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalescotlandandnorthernireland> [last accessed 20/04/2017]

<sup>2</sup> Older People's Health and Wellbeing, Public Health England: <https://fingertips.phe.org.uk/profile/older-people->

in Norfolk with those aged 75-84 projected to increase by a third and those aged 85 and over projected to increase by almost 40%<sup>3</sup>.

As a popular tourist destination, Norfolk receives more than three million overnight visitors per year and 39,665,000 day trips are made<sup>4</sup>. Around 60,000 jobs are directly supported by tourism<sup>5</sup>. The transient populations associated with tourism impact on the policing of Norfolk to varying extents at different times of the year. Other significant employers in the Norfolk economy include the public sector, agriculture, retail and engineering. Tackling crime within rural communities has been highlighted as one of the priorities in the new Police and Crime Plan recently issued by the Police and Crime Commissioner. Norfolk Constabulary support hundreds of events throughout the year including, Norwich City football matches, Norwich Pride, the Sundown music festival, and numerous other local carnivals and occasions. Norfolk Constabulary also police the Royal Estate at Sandringham.

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

## Changing demand

Demand for policing in Norfolk has changed over the past five years. This is coupled with a rise in the cost of dealing with crime due to the increased complexity.

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

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

Dealing with this change in demand presents a significant challenge for the Constabulary, as the organisation strives to maintain the highest level of service to the communities of Norfolk, with a reduced workforce and the financial legacy of successive budget cuts.

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

The review was commissioned by the Chief Constable in September 2015, with the aim of developing a long-term vision for policing in the county. It is the most comprehensive assessment of frontline services undertaken by the force in recent years.

The review covers every aspect of policing within these areas, to identify the most effective ways to deliver services in the future and protect individuals and communities from harm. This is supported by an extensive programme of internal and external consultation, to gather the views of officers, staff, partners and the public.

Norfolk 2020 is about making sure we can maintain the Constabulary's high standard of service in the future, by building on what we do well and making improvements and investments where they need to be made.

More information on other aspects of the approach to change are in the Looking Forward section of this Narrative Report.

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<sup>3</sup> Norfolk Police and Crime Commissioner Statement of Accounts 2015-16: <http://www.norfolk-pcc.gov.uk/documents/finance/annual-accounts/statement-accounts/201516/NorfolkPCCStatementofAccounts2015-16.pdf> [last accessed 21/04/2017]

<sup>4</sup> The Economic Impact of Tourism, World Travel & Tourism Council, 2014: <https://mediafiles.thedms.co.uk/Publication/ee-nor/cms/pdf/Economic%20Impact%20of%20Tourism%20-%20Norfolk%202014.pdf> [last accessed 20/04/2017]

<sup>5</sup> Visit Norfolk, 2015: <http://www.visitnorfolk.co.uk/Tourism-info-and-stats.aspx> [last accessed 20/04/2017]

## **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 seven years, with the programme of collaborative work delivering a number of joint units and departments in 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 (HMIC).

Areas of collaboration outside of Norfolk/Suffolk include Eastern Region Special Operations Unit (ERSOU), a specialist unit with a remit for tackling serious and organised crime in the Eastern Region. ERSOU comprises resources from the following police forces: Norfolk, Suffolk, Essex, Cambridgeshire, Bedfordshire and Hertfordshire. There is also a 7 Forces Strategic Collaboration Programme currently scoping other areas for collaboration and savings.

The Policing and Crime Act 2017 received Royal Assent on 31<sup>st</sup> January 2017. The Act includes a duty, in England, for emergency services to collaborate. It also gives the opportunity for PCCs in England to take over the governance of their local fire and rescue services should a business case demonstrate this is in the interests of the local communities.

The proposed new duty is aimed at spreading existing best practice across all areas of the emergency services, making collaboration common practice. The Home Secretary says it would ensure that all opportunities to improve efficiency and effectiveness between the emergency services are fully explored whilst allowing decisions to be taken at a local level.

Within this context, Norfolk Constabulary and Norfolk Fire and Rescue Service have further strengthened their working relationship. During 2016, the Norfolk Fire and Rescue Services Senior Management Team moved into Norfolk Constabulary's headquarters in Wymondham, meaning the highest ranking officers of both services are working closer together. This move aims to establish a more joined up approach between the two services and deliver an improved service to Norfolk's communities while also providing savings to taxpayers.

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, the Family Focus Project, Norfolk 180 and the local Safer Neighbourhood Action Panels. 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. At the outset the PCC took responsibility for the finances of the whole Group and controls the assets, liabilities and reserves, which were transferred from the previous Police Authority. With the exception of the liabilities for employment and post-employment benefits, referred to later, this position has not changed and 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 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.

The PCC receives all income and makes all payments from the Police Fund for the Group and has

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

Therefore, the Chief Constable fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the PCC. The Chief Constable ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over the force's police officers and employs police community support officers (PCSOs) 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.

In particular, it should be noted that 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, and transfer liabilities to the Chief Constable's Balance Sheet for employment and post-employment benefits 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 2016/17 statement of accounts for the Chief Constable of Norfolk 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** This 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, during 2016/17 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 £1k differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies.

#### Prior period adjustments

There have been significant changes in the CIPFA Code of Practice for 2016/17 that materially affect the disclosures in the Statements of Accounts, and require Prior Period Adjustments.



As a result of the “Telling the Story” review of the presentation of local authority financial statements, significant changes have been made to the format of primary statements. This includes an abbreviated Movement in Reserves Statement (MIRS), a change in the objective basis for the Comprehensive Income and Expenditure Statement (CIES) and the introduction of a new statement, the Expenditure and Funding Analysis (EFA).

Within the (CIES), the objective basis for presentation has changed from SeRCOP (Service Reporting Code of Practice) to that used for segmental reporting. Reportable segments are those used for internal management reporting.

The EFA is a new disclosure requirement and demonstrates to council tax payers how the funding available to the PCC for the year has been used in providing resources in comparison with those resources consumed or earned by the PCC in accordance with generally accepted accounting practices. The EFA and the associated notes reconcile the movements between the CIES and the statutory funding basis. The EFA is disclosed on a segmental basis.

#### **4. The 2016/17 Revenue and Capital Budget Process**

A joint financial planning process took place between September 2015 and January 2016 in accordance with a timetable previously agreed by the Norfolk and Suffolk Chief Constables.

An enhanced “scrutiny” process was developed to facilitate the development of the 2016/17 budget and spending plans over the medium-term. This process involved Senior Managers attending Chief Officer Challenge Panels to review strategic issues, savings proposals, growth pressures and capital spend requirements. The process concluded with Norfolk and Suffolk Chief Constables reviewing the outcomes from the panel reviews, and agreeing 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. Two open public consultation meetings were held in Norwich and King’s Lynn by the former PCC on 13th and 18th January 2016 respectively.

The Office of the Police and Crime Commissioner also ran an online poll seeking residents’ views on the levels of council tax for 2016/17.

The PCC considered views from the community, key stakeholders and public sector bodies, as a result the PCC proposed a council tax freeze. However, this was vetoed by the Police and Crime Panel who met again on the 16<sup>th</sup> February 2016 and agreed a revised proposal of an increase of just under 2%.

These spending plans were then incorporated into the Medium-Term Financial Plan of the former PCC, Stephen Bett, that covered the period 2016/17 to 2020/21 and was signed off in February 2016.

The Medium-Term Financial Plans for the PCC are available on [www.norfolk-pcc.gov.uk](http://www.norfolk-pcc.gov.uk)

#### **5. Financial Performance**

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

Savings plans of £5.143m were identified for 2016/17, and these savings were achieved. The impact of the Home Office Grant Settlement for 2017/18 is a 1.4% cash reduction and there is a savings requirement of £3.795m. 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 2017/18 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), he 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:

<b>Year-end</b>	<b>Total</b>	<b>Officers</b>	<b>Staff</b>
31 March 2017	£1,720m	£1,632m	£88m
31 March 2016	£1,371m	£1,325m	£46m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,721m at 31 March 2017, however, the financial position of the Chief Constable remains sound as these liabilities will be spread over many years.

### 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 PCC's website at [www.norfolk-pcc.gov.uk](http://www.norfolk-pcc.gov.uk).

## 6. Non-financial performance

The year to the end of March 2017, the first year in office for the current PCC, saw a continuing decline in certain crime types and offending within the county. The Force's Performance Framework which reports the rolling 12 month average compared to the previous three year rolling average, reported Anti-Social Behaviour had fallen by 6% and Burglary Dwelling and Burglary Non-Dwelling had fallen by 1% and 3% respectively. Areas of increase included Serious Sexual Offences which had increased by 14% but the encouragement of victims to report crimes and subsequent support through trial to prosecution is likely to have had a bearing on this.

Other areas of increased criminality such as Robbery, up 113% and Serious Violence up by 28%, (increases that have been highlighted nationally) has been impacted upon by positive action around Op Gravity – the disruption of drug trafficking and supply from out of county criminal organisations. While these organisations work to import this commodity and protect their business interests through the use of violence and intimidation, a level of hidden harm has been identified beyond the purchasers and involving the young traffickers and distributors used as well as those called upon to house them while they establish their market.

The method of how Norfolk Constabulary has analysed and targeted county lines is being used by other forces in the region, and there has been a lot of co-operation between Norfolk, the Metropolitan Police and regional partners to successfully disrupt the activity, provide positive outcomes through custodial sentences and starting the process of dismantling the organised crime groups.

Norfolk's response to the criminal targeting of vulnerable individuals has led to the force being marked as 'good' for Safeguarding and forms the backbone of the Force's Strategic Assessment. Produced in October 2016, it uses the MoRiLE (Management of Risk in Law Enforcement) process to score Threat, Risk and Harm areas as a basis for the Joint Control Strategy and prioritisation of strategic profiles. One of the core priorities set by the present PCC was to 'Support victims and reduce vulnerability' so the first tranche of profiles looks to address many such areas of vulnerability:

- Child Sexual Abuse
- Serious Sexual Offences
- Modern Day Slavery
- Sickness and Absence Management
- Victims' Code

- Stalking and Harassment

Joint Control Strategy performance is being reported on as part of the new Police and Crime Plan 'report cards' within the Norfolk and Suffolk Performance Frameworks. These cards will flag any exceptions that occur when comparing recent rolling averages to longer term ones, such as those mentioned above. Now that Norfolk and Suffolk have both been using the current crime and intelligence system (Athena) for over 18 months, the extensive work carried out on data quality issues should have resulted in more accurate performance reporting. The Performance Framework itself will be moving to a new platform and interface in the next year or so which should also make reporting and delivery of reports an altogether better experience for the end user.

The Police and Crime Plan 2016-2020 was recently released by Lorne Green, the Police and Crime Commissioner. In the plan it lists the priorities for tackling crime in Norfolk<sup>6</sup>:

- 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

Within these priorities are new performance indicators (such as; the number of first-time entrants into the criminal justice system, the number of hours worked by the Special Constabulary in rural areas and crime survey and satisfaction data) which will be used to measure how well Norfolk Constabulary is meeting the objectives within the plan.

## 7. Looking Forward

The financial context for police forces remains very challenging. Since 2007/08 government funding to Norfolk Constabulary has reduced by £12m, and when taking inflation into account this is £32m in real terms.

In the provisional Police Grant Report, the Minister of State for Policing and the Fire Service stated "direct resource [revenue] funding for each PCC, including precept, will be protected at flat cash levels compared to 2015/16, assuming that precept income is increased to the maximum amount available in both 2016/17 and 2017/18."

In reality this means that a number of growth pressures must be absorbed, e.g. 1% cost of living increases, inflation, increases in demand from the changing nature of crime (e.g. in crimes against vulnerable people, and cybercrime); statutory changes such as the apprenticeship levy, pension increases and auto-enrolment into pension schemes. These demands add approximately £6m worth of budgetary pressure a year.

For 2017/18 the Constabulary has identified £3.8m of savings to balance the budget and over the life of the Medium Term Financial Plan (MTFP) this figure rises to £6.6m by 2020/21. Even with this level of identified savings, this leaves an additional savings requirement of £3m to be identified by 2020/21. In order to achieve this level of savings and ensure the policing model is as efficient as possible the Constabulary has developed a new change programme. This has focussed on three strands: the Service and Financial Planning process underpinned by Outcome Based Budgeting (OBB) principles; continuing the development of the Norfolk Local Policing (2020) Review; and Regional Collaboration.

All of these proactive elements, that use demand, performance and priority data will shape the new change programme and be captured in future MTFPs to support the continued transformation and modernisation of policing. It is clear that the change programme will need to remain a continuous process, ensuring that savings can be driven out in a timely fashion to ensure budgets can be balanced over the medium-term and beyond.

Due to the continuing pace of modernisation, and ensuring that the Force is fit-for-purpose, appropriately equipped and has an appropriate estate footprint, there is an increased requirement for capital spending over the medium-term. This includes significant investment in refreshing the growing ICT / digital estate; increasing investment in infrastructure e.g. in networks and servers to deal with the growth in requirements for

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<sup>6</sup> Police & Crime Plan 2016 – 2020, Office of the Police & Crime Commissioner for Norfolk, 2016: <http://www.norfolk-pcc.gov.uk/documents/key-documents/police-and-crime-plan/PoliceAndCrimePlan.pdf> [last accessed 20/04/2017]

investigating and storing digital data; new enabling programmes such as Body Worn Video, mobile working and the Emergency Services Network.

The growth of the investment in these “short life” capital assets will need to deliver efficiencies in staffing to avoid putting undue pressure on revenue reserves over the medium-term. Over the last few years, reserves have been used appropriately to fund the capital programme in respect of short life assets, the cost of change (e.g. redundancies arising from implementing the significant change programme), and planned temporary staffing costs to respond to service pressures, and transition programmes. Careful consideration has been given to reserve levels over the medium-term, and beyond particularly by modelling capital financing over the next 20 years.

The MTFP therefore includes planned contributions to reserves in 2019/20 and 2020/21 in order to ensure that sufficient reserves are available for the medium and longer-term. This will require additional savings to be found, and is a significant driver for further development of the change programme over the coming months and years.

The police service faces further challenges in the future, including the ongoing review of the police funding model by central government, and the funding arrangements, for example, for the Emergency Services Network that will see a national joined up blue light communications system, as well as continuing investment in modernising the service through digital technology such as mobile working and Body Worn Video.

These 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.

**John Hummersone FCPFA**

**Chief Finance Officer**

# Draft Comprehensive Income and Expenditure Statement

## for the Chief Constable of Norfolk Constabulary

### for the year ended 31 March 2017

Gross Expenditure 2015/16 Restated £000	Income 2015/16 Restated £000	Net Expenditure 2015/16 Restated £000		Gross Expenditure 2016/17 £000	Income 2016/17 £000	Net Expenditure 2016/17 £000
			<b>Division of Service:</b>			
171,296	(13,586)	157,710	Chief Constable	166,764	(10,699)	156,065
<u>171,296</u>	<u>(13,586)</u>	<u>157,710</u>	Net Cost of Police Services before group funding	<u>166,764</u>	<u>(10,699)</u>	<u>156,065</u>
	<u>(164,454)</u>	<u>(164,454)</u>	Intra-group funding	4	<u>(172,120)</u>	<u>(172,120)</u>
<u>171,296</u>	<u>(178,040)</u>	<u>(6,744)</u>	Net Cost of Policing Services	Page 16	<u>166,764</u>	<u>(182,819)</u>
			<b>Other Operating Expenditure:</b>			
-	-	-	Loss/(profit) on disposal of fixed assets	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
			<b>Financing and Investment Income and Expenditure:</b>			
-	-	-	Interest payable and similar charges	-	-	-
50,088	-	50,088	Pensions interest cost	17	48,391	-
<u>-</u>	<u>-</u>	<u>-</u>	Interest and investment income	<u>-</u>	<u>-</u>	<u>-</u>
<u>50,088</u>	<u>-</u>	<u>50,088</u>		<u>48,391</u>	<u>-</u>	<u>48,391</u>
			<b>Taxation and Non-specific Grant Income:</b>	14		
-	-	-	General grants	-	-	-
-	-	-	Capital grants and contributions	-	-	-
-	-	-	Non-domestic rate redistribution	-	-	-
-	-	-	Precepts	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
		<u>43,344</u>	Deficit/(Surplus) on the Provision of Services			<u>32,336</u>
			<b>Other Comprehensive Income and Expenditure:</b>			
		-	(Surplus) / deficit on the revaluation of assets			-
		<u>(193,342)</u>	Remeasurements of the net defined benefit liability (asset)	17		<u>316,392</u>
		<u>(193,342)</u>				<u>316,392</u>
		<u>(149,998)</u>	<b>Total Comprehensive Income and Expenditure</b>			<u>348,728</u>

**Draft Balance Sheet for the Chief Constable of Norfolk  
Constabulary**  
**as at 31 March 2017**

31 March 2016 £000	Notes	31 March 2017 £000
	<b>Non-Current Assets</b>	
-	<b>Long Term Debtors</b>	-
<u>-</u>	<b>Total Long term Assets</b>	<u>-</u>
<u>-</u>	<b>Current Assets</b>	<u>-</u>
<u>-</u>	<b>TOTAL ASSETS</b>	<u>-</u>
691	Short-term creditors and accruals	774
<u>691</u>	<b>Current Liabilities</b>	<u>774</u>
1,371,314	Liability related to defined benefits	1,719,958
<u>1,371,314</u>	<b>Long Term Liabilities</b>	<u>1,719,958</u>
<u>1,372,005</u>	<b>TOTAL LIABILITIES</b>	<u>1,720,732</u>
<u>(1,372,005)</u>	<b>NET ASSETS / (LIABILITIES)</b>	<u>(1,720,732)</u>
-	Usable reserves	-
<u>(1,372,005)</u>	Unusable reserves	<u>(1,720,732)</u>
<u>(1,372,005)</u>	<b>TOTAL RESERVES</b>	<u>(1,720,732)</u>

The unaudited accounts were issued on **June 2017**

**John Hummersone FCPFA**

**June 2017**

## Draft Movement in Reserves Statement for the Chief Constable of Norfolk Constabulary

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	<b>Total Unusable Reserves</b>	<b>Total Reserves</b>
<b>Year Ended 31 March 2017</b>	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>	-	-	-	-	(1,372,005)	(1,372,005)
<b>Movement in Reserves during 2016/17</b>						
<b>Total comprehensive income and expenditure</b>	(32,336)	-	-	(32,336)	(316,392)	(348,728)
<b>Adjustments between accounting basis and funding basis under regulations</b>	32,336	-	-	32,336	(32,336)	-
<b>Increase / decrease in year</b>	-	-	-	-	(348,728)	(348,728)
<b>Balance at 31 March 2017</b>	-	-	-	-	(1,720,732)	(1,720,732)

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	<b>Total Unusable Reserves</b>	<b>Total Reserves</b>
<b>Year Ended 31 March 2016</b>	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	-	-	-	-	(1,522,003)	(1,522,003)
<b>Movement in Reserves during 2015/16</b>						
<b>Total comprehensive income and expenditure</b>	(43,344)	-	-	(43,344)	193,342	149,998
<b>Adjustments between accounting basis and funding basis under regulations</b>	43,344	-	-	43,344	(43,344)	-
<b>Increase / decrease in year</b>	-	-	-	-	149,998	149,998
<b>Balance at 31 March 2016</b>	-	-	-	-	(1,372,005)	(1,372,005)

# Draft Cash-flow Statement for the Chief Constable of Norfolk Constabulary for the year ended 31 March 2016

2015/16 £000		Note	2016/17 £000
(43,344)	Net Surplus/(deficit) on the provision of services	Page 12	(32,336)
43,344	Adjustment for non cash or cash equivalent movements	10	32,336
-	Adjustment for items included in net deficit on the provision of services that are investing or financing activities:		-
-	Capital grants and contributions		-
<u>-</u>	<b>Net cash flows from operating activities</b>		<u>-</u>
-	Investing activities		-
-	Financing activities		-
<u>-</u>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<u>-</u>
-	Cash and cash equivalents at the beginning of the reporting period		-
<u>-</u>	<b>Cash and cash equivalents at the end of the reporting period</b>		<u>-</u>



## Draft Expenditure & Funding Analysis for the Chief Constable of Norfolk Constabulary

Chief Constable	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
<b>Year Ended 31 March 2017</b>			
Chief Constable	150,030	6,035	156,065
Intra-group funding	(172,120)	-	(172,120)
<b>Net Cost of Police Services</b>	<b>(22,090)</b>	<b>6,035</b>	<b>(16,055)</b>
Other income and expenditure	22,090	26,301	48,391
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>-</b>	<b>32,336</b>	<b>32,336</b>
Opening general fund balance at 31 March 2016	-		
Less deficit on general fund in year	-		
<b>Closing General Fund Balance at 31 March 2017</b>	<b>-</b>		
<b>Year Ended 31 March 2016</b>			
Chief Constable	142,610	15,100	157,710
Intra-group funding	(164,454)	-	(164,454)
<b>Net Cost of Police Services</b>	<b>(21,844)</b>	<b>15,100</b>	<b>(6,744)</b>
Other income and expenditure	21,844	28,244	50,088
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>-</b>	<b>43,344</b>	<b>43,344</b>
Opening general fund balance at 31 March 2015	-		
Less deficit on general fund in year	-		
<b>Closing General Fund Balance at 31 March 2016</b>	<b>-</b>		

# Notes to the Financial Statements

## for the Chief Constable of Norfolk Constabulary

### 1. Accounting Policies

#### General principles

The Statement of Accounts summarises the Group's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (COP), supported by International Financial Reporting Standards (IFRS).

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

#### Cost recognition and Intra-Group adjustment

Refer to Note 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. 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 CIES (Comprehensive Income and Expenditure Statement) 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 MIRS (Movement in Reserves Statement). MRP is charged to the General Fund along with any Revenue Funding of Capital and credited to the Capital Adjustment Account via the MIRS.

Guidance issued under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009, enables authorities to calculate an amount of MRP, which they consider to be prudent. For capital expenditure incurred from 2008/09, the PCC has approved calculating the MRP using the Option 3 method, which results in equal instalments of 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
- Multi-functional devices
- Communication devices including radios
- Servers
- Software licences
- Firearms including TASERS
- Vehicles with a life exceeding 12 months
- Annual Assets (projects incurring expenditure throughout the year which are not classified as assets under construction)
- Where government grant funding has been sought and received for specific expenditure on the assumption that both the grant and expenditure are treated as capital

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is

credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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)
- 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 of Practice 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

#### **Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the PCC 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 PCC.

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 PCC 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's services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC 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's Office 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's Office 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement. The Balance Sheet includes the authority'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.

## **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.

### Post-employment benefits

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

The liabilities attributable to the 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 in the LGPS are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is based on the return on UK Government bonds (gilts) plus a prudent asset return assumption, which makes an allowance for an anticipated out-performance of Fund returns relative to long term yields on gilts.

Liabilities in the Police Pension Scheme are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is set with reference to the current rate of return on high quality corporate bonds, plus an additional amount.

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

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is allocated in the CIES to the services for which the employee or officer worked. 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 as part of the service for which the employee or officer worked.
- 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.
- Expected return on assets – the annual investment return on the fund assets attributable to the Group, based on an average of the expected long-term return. It is credited to the Financing and Investment Income and Expenditure line in the CIES.
- 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 debited to the pension reserve.
- 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 can be classified into two types:

- (i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- (ii) Available-for-sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payment

The PCC does not hold any available-for-sale financial assets.

### Loans and Receivables

Loans and receivables 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CIES.

## **Government grants and contributions**

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 Movement in Reserves Statement (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. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

## **Investment policy**



The PCC works closely with its external treasury advisors Capita to determine the criteria for high quality institutions. The minimum rating criteria uses the 'lowest common denominator' method of selecting counterparties and applying lending limits to those counterparties

- 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)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds (which are rated AAA by at least one of the three major rating agencies);
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2016/17 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

### **Jointly controlled operations and jointly controlled assets**

Jointly controlled 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 Comprehensive Income and Expenditure Statement with its share of the expenditure incurred and income earned from the activity of the operation.

Jointly controlled 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 jointly controlled 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 towards 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 relevant service 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 – charged to the unitary payment when they are incurred in future years.

## **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 Movement in Reserves Statement. 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 Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

### Revaluation Reserve

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

### Capital Adjustment Account

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

## Pension Reserve

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 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 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 Comprehensive Income and Expenditure Statement. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (e.g., purchase of command platform vehicles).

## **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **2. Accounting standards that have been issued but have not yet been adopted**

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom for 2016/17 (COP), the COP is based on International Financial Reporting Standards (IFRSs).

There are no amendments to be adopted under the 2017/18 Code of Practice which would be relevant to the Office of the Police and Crime Commissioner or the Chief Constable.

## **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 2017/18 in regard of what the PCC will receive from the government and limitations around the precept. The PCC and 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.
- 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 2016/17 and are reflected in the financial statements.
- Norfolk and Suffolk have 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 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 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.

#### **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 receives 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 is 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 is carried on the balance sheet in accordance with the Code and add to the carrying value of the Pensions Liability and the Accumulated Absences Liability.

## 5. Notes to the Expenditure and Funding Analysis

### Adjustments between the CIES and the General Fund

	Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Chief Constable</b>				
<b>Year Ended 31 March 2017</b>				
Chief Constable	-	5,951	84	6,035
<b>Net Cost of Police Services</b>	<u>-</u>	<u>5,951</u>	<u>84</u>	<u>6,035</u>
Other income and expenditure	-	26,301	-	26,301
<b>Deficit/(Surplus) on the Provision of Service</b>	<u>-</u>	<u>32,252</u>	<u>84</u>	<u>32,336</u>
<b>Year Ended 31 March 2016</b>				
Chief Constable	-	14,889	211	15,100
<b>Net Cost of Police Services</b>	<u>-</u>	<u>14,889</u>	<u>211</u>	<u>15,100</u>
Other income and expenditure	-	28,244	-	28,244
<b>Deficit/(Surplus) on the Provision of Service</b>	<u>-</u>	<u>43,133</u>	<u>211</u>	<u>43,344</u>

## Expenditure and Income Analysed by Nature

	<b>Total 2016/17 £000</b>	<b>Total 2015/16 £000</b>
<b>Expenditure</b>		
Employee benefits expenses	137,542	144,615
Other service expenditure	29,221	26,681
Net pensions interest cost	48,391	50,088
<b>Total Expenditure</b>	<b><u>215,155</u></b>	<b><u>221,384</u></b>
<b>Income</b>		
Fees, charges and other service income	(5,355)	(5,246)
Government grants and contributions	(5,344)	(8,340)
<b>Total Income</b>	<b><u>(10,699)</u></b>	<b><u>(13,586)</u></b>
<b>Deficit/(Surplus) on the Provision of Services before Intra Group funding</b>	<b><u>204,456</u></b>	<b><u>207,798</u></b>
Intra group funding	(172,120)	(164,454)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b><u>32,336</u></b>	<b><u>43,344</u></b>

## 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 £193.4m.

### Exit Packages

Provisions for exit packages are based on information available at the time of the production of the accounts, there may be occasions where employees are subsequently redeployed resulting in the provision being overstated.

## 7. Post Balance Sheet Events

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

## 8. Usable Reserves

Movements in the Chief Constable's usable reserves are detailed below:

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
<b>Year Ended 31 March 2017</b>				
<b>Balance at 1 April 2016</b>	-	-	-	-
<b>Movement in Reserves during 2016/17</b>				
Surplus or (deficit) on provision of services (accounting basis)	(32,336)	-	-	(32,336)
<b>Total comprehensive income and expenditure</b>	<b>(32,336)</b>	<b>-</b>	<b>-</b>	<b>(32,336)</b>
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	54,342	-	-	54,342
Contribution to the Police Pension Fund	(22,090)	-	-	(22,090)
Movement on the Compensated Absences Account	84	-	-	84
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>32,336</b>	<b>-</b>	<b>-</b>	<b>32,336</b>
<b>Increase / decrease in year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
<b>Year Ended 31 March 2016</b>				
<b>Balance at 1 April 2015</b>	-	-	-	-
<b>Movement in Reserves during 2015/16</b>				
Surplus or (deficit) on provision of services (accounting basis)	(43,344)	-	-	(43,344)
<b>Total comprehensive income and expenditure</b>	<b>(43,344)</b>	<b>-</b>	<b>-</b>	<b>(43,344)</b>
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	64,977	-	-	<b>64,977</b>
Contribution to the Police Pension Fund	(21,844)	-	-	(21,844)
Movement on the Compensated Absences Account	211	-	-	<b>211</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>43,344</b>	<b>-</b>	<b>-</b>	<b>43,344</b>
<b>Increase / decrease in year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 9. Unusable Reserves

Movements in the Chief Constable's unusable reserves are detailed in the tables below:

Year Ended 31 March 2017	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	Total Unusable Reserves £000
<b>Balance at 1 April 2016</b>	<b>(1,371,314)</b>	-	-	-	-	<b>(691)</b>	<b>(1,372,005)</b>
Other comprehensive income and expenditure	(316,392)	-	-	-	-	-	<b>(316,392)</b>
<b>Total comprehensive income and expenditure</b>	<b>(316,392)</b>	-	-	-	-	-	<b>(316,392)</b>
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(54,342)	-	-	-	-	-	<b>(54,342)</b>
Contribution to the Police Pension Fund	22,090	-	-	-	-	-	<b>22,090</b>
Movement on the Compensated Absences Account	-	-	-	-	-	(84)	<b>(84)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(32,252)</b>	-	-	-	-	<b>(84)</b>	<b>(32,336)</b>
<b>Increase / decrease in year</b>	<b>(348,644)</b>	-	-	-	-	<b>(84)</b>	<b>(348,728)</b>
<b>Balance at 31 March 2017</b>	<b>(1,719,958)</b>	-	-	-	-	<b>(774)</b>	<b>(1,720,732)</b>

<b>Year Ended 31 March 2016</b>	<b>Pension Reserves £000</b>	<b>Reval- -uation Reserve £000</b>	<b>Capital Adj' Account £000</b>	<b>Collection Fund Adj' Account £000</b>	<b>Financial Instruments Adj' Account £000</b>	<b>Comp' Absences Account £000</b>	<b>Total Unusable Reserves £000</b>
<b>Balance at 1 April 2015</b>	<b>(1,521,523)</b>	-	-	-	-	<b>(480)</b>	<b>(1,522,003)</b>
Other comprehensive income and expenditure	193,342	-	-	-	-	-	<b>193,342</b>
<b>Total comprehensive income and expenditure</b>	<b>193,342</b>	-	-	-	-	-	<b>193,342</b>
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(64,977)	-	-	-	-	-	<b>(64,977)</b>
Contribution to the Police Pension Fund	21,844	-	-	-	-	-	<b>21,844</b>
Movement on the Compensated Absences Account	-	-	-	-	-	(211)	<b>(211)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(43,133)</b>	-	-	-	-	<b>(211)</b>	<b>(43,344)</b>
<b>Increase / decrease in year</b>	<b>150,209</b>	-	-	-	-	<b>(211)</b>	<b>149,998</b>
<b>Balance at 31 March 2016</b>	<b>(1,371,314)</b>	-	-	-	-	<b>(691)</b>	<b>(1,372,005)</b>

## 10. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16			2016/17	
£000	£000		£000	£000
		<b>Adjustment for non cash or cash equivalent items</b>		
		<b>within deficit on provision of services:</b>		
-		Depreciation and impairments		-
-		Profit and loss on disposal of fixed assets		-
-		Internal capital movement met from revenue		-
43,133		Movements on pension liability		32,252
-		Other		-
				<u>32,252</u>
<u>43,133</u>				
	211	Increase/(decrease) in revenue creditors	84	
	-	Decrease/(increase) in revenue debtors	-	
	-	Decrease/(increase) in stocks	-	
	-	Increase/(decrease) in revenue provisions	-	
	-	Increase/(decrease) in grants received in advance	-	
211				<u>84</u>
<u>43,344</u>				<u>32,336</u>
		<b>The cash flows for operating activities include:</b>		
-		Interest paid and similar charges		-
-		Interest received		-

## 11. Officers' Remuneration

The numbers of employees and senior police officers whose remuneration exceeded £50k in 2016/17 were as follows:

Remuneration	Chief Constable	
	2016/17	2015/16
£50,000 - £54,999	9	6
£55,000 - £59,999	3	4
£60,000 - £64,999	5	-
£65,000 - £69,999	3	-
£70,000 - £74,999	1	1
£75,000 - £79,999	2	1
£80,000 - £84,999	2	3
£85,000 - £89,999	3	3
£90,000 - £94,999	1	-
£95,000 - £99,999	0.6	1.6
£105,000 - £109,999	-	1
£110,000 - £114,999	1	-
£115,000 - £119,999	-	1
£150,000 - £154,999	-	1
£155,000 - £159,999	1	-

“Remuneration” is defined, by regulation, as “all amounts paid to or receivable by an employee and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax) and the estimated

money value of any other benefits received by an employee otherwise than in cash.”

Within the £95,000 - £99,999 band, 0.61 FTE relates to the CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.61 relates to the Chief Constable share of the FTE, based on the days contracted.

In addition to the above the Accounts and Audit Regulations in 2015 requires 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 PCC. The officers listed below are included in the above banding disclosure note.

The remuneration paid to senior officers of the Chief Constable are shown in the following table:

	Salaries Fees and Allowances	Termination Payments	Bonuses	Employers Pension Contributions	Benefits in Kind Estimates	Expenses	Total
	£000	£000	£000	£000	£000	£000	£000
<b>2016/17</b>							
<b>Position held</b>							
Chief Constable - Simon Bailey	156	-	-	37	3	-	196
Deputy Chief Constable (left 02.10.16)	61	-	-	14	1	-	76
Deputy Chief Constable ((appointed 13.02.17) temporary from 03.10.16 to 12.02.17)							
Assistant Chief Constable ((09.05.16 - 02.10.16) temporary from 04.04.16 - 08.05.16)	113	-	-	25	-	-	138
Assistant Chief Constable (retired 07.09.16)	56	-	-	11	-	-	67
Temporary Assistant Chief Constable (appointed 03.10.16)	93	-	-	22	-	-	115
CFO (CC) - 0.61 FTE	66	-	-	-	-	-	66
<b>2015/16</b>							
<b>Position held</b>							
Chief Constable - Simon Bailey	152	-	-	36	3	2	193
Deputy Chief Constable	119	-	-	28	6	2	155
Assistant Chief Constable	107	-	-	25	4	-	136
Temporary Assistant Chief Constable (23 Jun 2014 to 3 Jan 2016)	79	-	-	18	2	-	99
CFO (CC) - 0.66 FTE	64	-	-	-	-	-	64

A chief officer from Norfolk Constabulary acted as Assistant Chief Constable in a joint capacity for Norfolk and Suffolk Constabularies until 7 September 2016; a contribution of £27.4k was received from Suffolk Constabulary in respect of this post. A chief officer from Suffolk Constabulary acted as Temporary Assistant Chief Constable in a joint capacity for Norfolk and Suffolk Constabularies from 7 September 2016; a contribution of £40.6k was paid to Suffolk Constabulary in respect 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.

## 12. 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. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable might have been constrained in his ability to operate independently or might have secured the ability to limit another party's ability to bargain freely.

During 2016/17 there were no material related party transactions involving senior officers of the Constabulary, other than those included under employees' remuneration set out in Note 11 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 significant influence 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 14 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements; these are fully disclosed in Note 19.

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

## 13. External Audit Costs

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

2015/16 £000		2016/17 £000
	The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts	
15	The Chief Constable of Norfolk	16
<u>15</u>		<u>16</u>

## 14. Grant Income

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

	Amount receivable for 16/17 £000	Amount receivable for 15/16 £000
<b>Credited to Services</b>		
Police incentivisation	235	111
Counter terrorism	183	106
Other specific grants	20	219
	<u>438</u>	<u>436</u>

## 15. 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 the 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 contractor 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 2016/17 was £1.444m (£1.248m in 2015/16). Payments remaining to be made under the PFI contract for services at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Revenue Services £000	Capital Payments £000	Interest £000	Contingent Rent £000	Total £000
Payable in 2017/18	1,480	402	2,986	-	4,868
Payable within two to five years	6,300	2,127	11,423	-	19,850
Payable within six to ten years	8,530	4,364	12,574	-	25,468
Payable within eleven to fifteen years	8,853	7,531	9,408	-	25,792
Payable within sixteen to twenty years	9,307	11,478	3,880	-	24,665
	<u>34,470</u>	<u>25,902</u>	<u>40,271</u>	<u>-</u>	<u>100,643</u>

### Police Investigations Centres (PIC)

During the financial years 2010/2011 to 2040/2041 the Norfolk and Suffolk PCCs are committed to making payments under a contract with a consortium for the use of the six PICs. The actual level of payments will be dependent on availability of the site and provision and delivery of services within. The contract is for 30 years. At 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 2 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 2016/2017 was £0.999 million (£0.987m in 2015/2016). This figure includes a credit received from Cambridgeshire Police of £0.506m 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 2017 (which exclude any availability/performance deductions), are shown in the following table:

	Revenue Services £000	Capital Payments £000	Interest £000	Contingent Rent £000	Total £000
Payable in 2017/18	1,803	588	2,720	145	5,256
Payable within two to five years	7,993	2,826	10,406	298	21,523
Payable within six to ten years	11,580	4,892	11,648	4	28,124
Payable within eleven to fifteen years	13,161	7,009	9,531	(55)	29,646
Payable within sixteen to twenty years	14,164	10,044	6,497	664	31,369
Payable within twenty one to twenty five years	13,184	11,104	2,128	(505)	25,911
	<u>61,885</u>	<u>36,463</u>	<u>42,930</u>	<u>551</u>	<u>141,829</u>

## 16. Termination Benefits

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies 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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
							£000	£000
£0 - £20,000	8	33	-	-	8	33	99	295
£20,001 - £40,000	-	8	-	-	-	8	-	189
£40,001 - £60,000	-	2	-	-	-	2	-	89
£60,001 - £80,000	1	-	-	-	1	-	77	-
	<u>9</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>43</u>	<u>176</u>	<u>573</u>

## 17. Defined Benefit Pension Schemes

### Participation in pension schemes

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

- 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 office holders 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 Scheme 2015 Scheme for police officers, is a Career Average Revalued Earnings (CARE) scheme, for those who either joined from April 2015 or transferred from the 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. There is a Home Office requirement to charge the CIES with an employer's contribution of 24.2% of pensionable pay, the CIES also meets the costs of injury awards and the capital value of ill-health benefits. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and 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 2015 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

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

The PCC has agreed a policy for calculating the budget provisions necessary to cover the costs chargeable to the CIES and the level of the Ill Health and Injury Reserve. This reserve provides protection against costs above the amount provided in the revenue budget.

#### **Transactions relating to post-employment benefits**

The cost of retirement benefits are recognised in the reported 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 benefits 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:

	<u>LGPS</u>		<u>Police Schemes</u>	
	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Current service costs	7,252	8,466	20,280	27,490
Past service Costs	201	483	60	40
<b>Financing and investment income and expenditure</b>				
Net Interest Expense	1,641	2,198	46,750	47,890
<b>Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service</b>	<b>9,094</b>	<b>11,147</b>	<b>67,090</b>	<b>75,420</b>
<b>Other post employment benefit charged to the CIES</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(13,375)	1,197	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	(1,763)	-	(29,850)	(22,310)
- Actuarial gains/losses arising from changes in financial assumptions	54,064	(25,012)	309,870	(132,780)
- Other	378	(2,168)	(2,932)	(12,268)
	<u>39,304</u>	<u>(25,983)</u>	<u>277,088</u>	<u>(167,358)</u>
<b>Total post employment benefit charged to the CIES</b>	<b>48,398</b>	<b>(14,836)</b>	<b>344,178</b>	<b>(91,938)</b>
<b>Movement in Reserves Statement (MIRS):</b>				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	<u>(48,398)</u>	<u>14,836</u>	<u>(344,178)</u>	<u>91,938</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	6,275	6,213	-	-
Retirement benefits payable to pensioners	-	-	37,658	37,222
<b>Net charge to the General Fund</b>	<b>6,275</b>	<b>6,213</b>	<b>37,658</b>	<b>37,222</b>

## Assets and liabilities in relation to retirement benefits

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>
Present value of liabilities	(276,404)	(211,390)	(1,631,520)	(1,325,000)
Fair value of plan assets	187,966	165,075	-	-
<b>Total Net liabilities</b>	<b>(88,438)</b>	<b>(46,315)</b>	<b>(1,631,520)</b>	<b>(1,325,000)</b>

## Reconciliation of present value of the scheme liabilities

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening Balance at 1 April	211,390	224,177	1,325,000	1,454,160
Current service cost	7,252	8,466	20,280	27,490
Interest cost	7,477	7,284	46,750	47,890
Contributions by scheme participants	2,034	2,002	7,800	8,260
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	(1,763)	-	(29,850)	(22,310)
- Actuarial gains/losses arising from changes in financial assumptions	54,064	(25,012)	309,870	(132,780)
- Other	322	(2,101)	(3,025)	(12,120)
Past service costs	201	483	60	40
Benefits Paid	(4,573)	(3,909)	(45,365)	(45,630)
<b>Closing Balance at 31 March</b>	<b><u>276,404</u></b>	<b><u>211,390</u></b>	<b><u>1,631,520</u></b>	<b><u>1,325,000</u></b>

## Reconciliation of fair value of the scheme assets

	<u>Funded Assets</u>		<u>Unfunded Assets</u>	
	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening fair value of scheme assets	165,075	156,813	-	-
Interest Income	5,836	5,086	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	13,375	(1,197)	-	-
Other	(56)	67	(93)	149
The effect of changes in foreign exchange rates				
Contributions from employer	6,275	6,213	37,658	37,221
Contributions from employees into the scheme	2,034	2,002	7,800	8,260
Benefits paid	(4,573)	(3,909)	(45,365)	(45,630)
<b>Closing fair value of Scheme Assets</b>	<b><u>187,966</u></b>	<b><u>165,075</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

## Total of Assets and Liabilities of the schemes

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	<u>2016/17</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2015/16</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Opening Balance at 1 April	(46,315)	(67,364)	(1,325,000)	(1,454,160)
Current service cost	(7,252)	(8,466)	(20,280)	(27,490)
Interest cost	(1,641)	(2,198)	(46,750)	(47,890)
Return on plan assets (excluding the amount included in the net interest expense)	13,375	(1,197)	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	1,763	-	29,850	22,310
- Actuarial gains/losses arising from changes in financial assumptions	(54,064)	25,012	(309,870)	132,780
- Other	(378)	2,168	2,932	12,268
Past service costs	(201)	(483)	(60)	(40)
Contributions from Employers	6,275	6,213	37,658	37,222
<b>Closing Balance at 31 March</b>	<b>(88,438)</b>	<b>(46,315)</b>	<b>(1,631,520)</b>	<b>(1,325,000)</b>

The total net pension liabilities of £1,720m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,721m (page 13). However, the financial position of the Chief Constable remains sound as the liabilities will be spread over many years as follows:

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

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

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

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

	Fair Value of Scheme Assets	
	31 March	31 March
	2017	2016
	£000	£000
Cash and cash equivalents	5,415	3,561
Equity instruments - industry type:		
- Consumer	13,997	11,842
- Manufacturing	10,922	8,599
- Energy and utilities	5,221	3,706
- Financial institutions	12,080	10,797
- Health and care	5,682	5,270
- Information technology	5,372	4,963
- Other	0	0
Sub total Equity	<b>53,274</b>	<b>45,177</b>
Bonds - by Sector		
- Corporate	0	0
- Government	0	0
- Other	0	0
Sub total Bonds	<b>0</b>	<b>0</b>
Property - by type		
- UK property	17,543	18,807
- Overseas property	2,934	2,543
Sub total Property	<b>20,477</b>	<b>21,350</b>
Private equity - all:	<b>11,746</b>	<b>10,609</b>
Other investment funds:		
- Equities	49,918	42,373
- Bonds	47,504	42,452
- Hedge Funds	0	0
- Infrastructure	0	0
- Other	0	0
Sub total other investment funds	<b>97,422</b>	<b>84,825</b>
Derivatives:		
- Foreign exchange	(389)	(510)
- Other	0	0
Sub total Derivatives	<b>(389)</b>	<b>(510)</b>
<b>Total Assets</b>	<b>187,944</b>	<b>165,011</b>

## Basis for estimating assets and liabilities

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

The police officer schemes liabilities have been assessed by the Government Actuary Department and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are shown below.

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2016/17	2015/16	2016/17	2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	22.1	22.1	23.2	23.1
Women	24.4	24.3	25.2	25.1
Longevity at 65 for future pensioners				
Men	24.1	24.5	25.2	25.1
Women	26.4	26.9	27.3	27.2
Rate of inflation (CPI - LGPS and CPI - PPS)	2.40%	2.20%	2.35%	2.20%
Rate of increases in salaries	2.70%	3.20%	4.35%	4.20%
Rate of increases in salaries (short term)			1.00%	1.00%
Rate of increase in pensions	2.40%	2.20%	2.35%	2.20%
Rate for discounting scheme liabilities	2.60%	3.50%	2.65%	3.55%
Rate of CARE revaluation	n/a	n/a	3.60%	3.45%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions 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 sensitivity analyses below did not change from those used in the previous period.

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	12.0%	34,178	9.8%	159,200
1 year increase in member life expectancy	3.0 - 5.0	6,942 - 13,303	2.6%	424,000
0.5% increase in the Salary Increase Rate	3.0%	6,942	1.2%	20,000
0.5% increase in the Pension Increase Rate	10.0%	26,616	9.2%	149,300
1 year increase in early retirement	n/a	n/a	0.1%	1,300

## Impact on the Chief Constable's cash flow

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. In September 2010 the Local Government Pensions Fund Committee approved an employer contribution rate stabilisation mechanism which limits annual charges in the employer contribution rate payable to +/- 0.5% of pensionable pay. Following the triennial valuation of the pension fund as at 31 March 2010 by the Actuary, the expression of deficit recovery was changed from a percentage of the payroll to an annual amount due with effect from 1 April 2011. Deficit recovery contributions are expressed as an annual amount due (payable in twelve monthly instalments with the contribution pay over).

The service contribution rate and annual deficit payment since 1 April 2016 along with the contribution rate to 31 March 2020 following the Triennial Valuation as at 31 March 2016 are shown in the following table:

	<b>Future Service Contribution Rate</b>	<b>Annual Deficit Recovery Contribution</b>
	<b>%</b>	<b>£000</b>
1 April 2016 to 31 March 2017	13.0%	2,128
1 April 2017 to 31 March 2018	17.8%	872
1 April 2018 to 31 March 2019	17.8%	1,050
1 April 2019 to 31 March 2020	17.8%	1,237

Estimated employer's contributions for 2017/18 amount to £6.4m on the LGPS and £26.1m on the Police schemes.

Maturity profile of the defined benefit obligation:

	<u>LGPS</u>			<u>Police Pension Schemes</u> <u>excluding injury</u>		
	<b>Funded Liability split as at 31 March 2017</b>	<b>Funded Liability split as at 31 March 2017</b>	<b>Weighted Average Duration at Previous Formal Valuation</b>	<b>Liability split as at 31 March 2017</b>	<b>Liability split as at 31 March 2017</b>	<b>Weighted average duration of the defined benefit obligation</b>
	<b>£000</b>	<b>%</b>		<b>£000</b>	<b>%</b>	
Active members	143,975	52.1%	26.7	744,210	45.6%	
Deferred members	56,828	20.6%	26.7	35,380	2.2%	
Pensioner members	75,340	27.3%	12.6	851,930	52.2%	
<b>Total</b>	<b>276,143</b>	<b>100%</b>	<b>21.8</b>	<b>1,631,520</b>	<b>100%</b>	<b>21</b>

No breakdown by member type was provided by the actuary in respect of the weighted average for the police officer schemes.

## 18. Creditors

The balance of Creditors is made up of the following:

	2016/17 £000	2015/16 £000
<b>Short term creditors:</b>		
Other entities and individuals	774	691
<b>Balance at 31 March</b>	<b>774</b>	<b>691</b>

## 19. Jointly Controlled Operations and Jointly Controlled Assets

Norfolk and Suffolk Constabularies have implemented and are developing ways in which both forces can work together to improve performance and to make financial savings. Currently, from a collaborative point of view, the forces are focusing on Protective Services, Justice Services, Business Support, and elements of County Policing. At 31 March 2017 significant progress towards fully collaborated units had been made, with many units working as joint departments, with operational cost sharing, while other units currently only share common management costs. Although both forces control their own financial arrangements in respect of these units, an agreement was drawn up to enable certain costs to be shared on an agreed ratio. The PCC regards these units as Jointly Controlled Operations. 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
<b>2016/17</b>					
Suffolk PCC	16,816	8,955	15,396	1,023	42,190
Norfolk PCC	22,110	11,774	20,242	1,345	55,472
<b>Total shared running costs</b>	<b>38,926</b>	<b>20,729</b>	<b>35,638</b>	<b>2,368</b>	<b>97,662</b>
<b>2015/16</b>					
Suffolk PCC	16,676	9,015	14,946	709	41,346
Norfolk PCC	21,659	11,709	19,413	921	53,702
<b>Total shared running costs</b>	<b>38,335</b>	<b>20,724</b>	<b>34,359</b>	<b>1,630</b>	<b>95,048</b>

On 1 April 2010, police forces within the Eastern Region entered into a collaborative agreement called the Eastern Region Specialist Operations Unit (ERSOU); Bedfordshire act as the lead PCC. This agreement has been classified as a Jointly Controlled Operation. Norfolk PCC's share of the Unit's running costs are included in the CIES. The net expenditure incurred by each force is as follows:



	<b>Total 2016/17 £000</b>	<b>Total 2015/16 £000</b>
Operating costs	16,089	14,458
Specific Home Office grant	(2,676)	(2,597)
Other income	-	-
<b>Total Deficit/ (Surplus) for the year</b>	<b>13,414</b>	<b>11,861</b>
Contributions from forces:		
Bedfordshire	(1,828)	(1,715)
Cambridgeshire	(2,357)	(2,160)
Essex	(916)	(576)
Hertfordshire	(3,301)	(3,095)
Kent	(406)	
Norfolk	(2,671)	(2,441)
Suffolk	(2,040)	(1,874)
<b>Deficit/ (Surplus) for the year</b>	<b>(106)</b>	<b>-</b>
Norfolk underspend held in Balance Sheet	1	-

## 20. 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 two open claims against Norfolk Constabulary. As this point in time, it is not possible to calculate the amount payable on these claims if they prove to be successful.

### Capped Overtime Claims

The organisation has a liability in respect of historic overtime claims for Covert Human Intelligence Source (CHIS) handlers and those of a similar nature. 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 and other claims. At this point in time Norfolk Police have 1 claim outstanding in respect of historic overtime. Individual claims are currently stayed whilst they are being assessed, at this point in time quantum cannot be accurately estimated. The claims primarily cover the period when the units were under joint collaborative control with Suffolk Police.

### Pension Regulations – Unlawful Discrimination

The Chief Constable of Norfolk, along with other Chief Constables and the Home Office, currently has 31 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the claims by officers. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the claims by officers. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

### **Forensic Service Uncertainty**

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

### **Employment Tribunal Claim**

The Constabularies are currently responding to a submission of claim to the Employment Tribunal, which has been taken out by a number of custody staff across Norfolk and Suffolk. The claim is in respect to a role evaluation and grading process, the results of which are being contested by the staff. Should the claimants be successful, there is a potential liability to the Constabularies that would equate to the difference in pay from April 2015 to date including allowances and any on-costs. The Constabulary as employers are robustly defending their position, and the timing and certainty of any liability are not at the point where a provision can be made.

## 21. Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors

### Comprehensive Income and Expenditure Statement

Within the CIES, the objective basis for presentation has changed from SeRCOP (Service Reporting Code of Practice) to that used for segmental reporting. Reportable segments are those used for internal management reporting.

	Audited Statements			Change			Restated comparators		
	Gross		Net	Gross		Net	Gross		Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Local Policing	73,733	(1,092)	72,641	(73,733)	1,092	(72,641)	-	-	-
Dealing with the Public	11,978	(176)	11,803	(11,978)	176	(11,803)	-	-	-
Criminal Justice Arrangements	17,153	(1,791)	15,361	(17,153)	1,791	(15,361)	-	-	-
Road Policing	5,595	(1,691)	3,904	(5,595)	1,691	(3,904)	-	-	-
Specialist Operations	8,174	(431)	7,743	(8,174)	431	(7,743)	-	-	-
Intelligence	8,553	(146)	8,407	(8,553)	146	(8,407)	-	-	-
Investigations	33,281	(1,098)	32,183	(33,281)	1,098	(32,183)	-	-	-
Investigative Support	4,573	(166)	4,408	(4,573)	166	(4,408)	-	-	-
National Policing	9,140	(8,685)	456	(9,140)	8,685	(456)	-	-	-
Non-distributed costs	523	-	523	(523)	-	(523)	-	-	-
Corporate and democratic core	-	-	-	-	-	-	-	-	-
Chief Constable	-	-	-	171,296	(13,586)	157,710	171,296	(13,586)	157,710
<b>Net Cost of Police Services before group funding</b>	<b>172,704</b>	<b>(15,275)</b>	<b>157,429</b>	<b>(1,408)</b>	<b>1,690</b>	<b>282</b>	<b>171,296</b>	<b>(13,586)</b>	<b>157,710</b>
Intra-group funding		(164,173)	(164,173)		(281)	(281)	-	(164,454)	(164,454)
<b>Net Cost of Policing Services</b>	<b>172,704</b>	<b>(179,448)</b>	<b>(6,744)</b>	<b>(1,408)</b>	<b>1,408</b>	<b>-</b>	<b>171,296</b>	<b>(178,040)</b>	<b>(6,744)</b>

# Police Pension Fund Accounting Statements

## Fund Account

2015/16		2016/17	
£000	£000	£000	£000
<b>Contributions receivable</b>			
	Employer		
	11,710 Normal	11,421	
	620 Early retirements	1,108	
12,329			12,529
	Members		
	7,540 Normal	7,313	
7,540			7,313
<b>Transfers in</b>			
	731 Individual transfers in from other schemes	514	
731			514
<b>Benefits payable</b>			
	(32,087) Pensions	(33,238)	
	(11,553) Commutations and lump sum retirement benefits	(10,739)	
(43,640)			(43,977)
<b>Payments to and on account of leavers</b>			
	(13) Refunds on contributions	(21)	
	(386) Individual transfers out to other schemes	-	
(399)			(21)
<b>(23,438)</b>	<b>Net amount receivable for the year before contribution from the Police General Fund</b>		<b>(23,643)</b>
<b>21,844</b>	<b>Contribution from the Police General Fund</b>		<b>22,088</b>
<b>1,594</b>	<b>Additional funding payable by the local policing body</b>		<b>1,555</b>
<b>-</b>	<b>Net balance receivable for the year</b>		<b>-</b>

The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2015 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

## Net Assets and Liabilities

	2015/16	2016/17
	£000	£000
<b>Net current assets</b>		
Net balance receivable from the Police General Fund	-	-
	-	-

# 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 valuation (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).

## **Emoluments**

All sums paid to or receivable by an employee; sums due as expenses allowances (as far as these are subject to UK income tax); and the money value of any other benefits received other than in cash. An employee's pension contributions are deducted from emoluments.

## **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 PCC 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 years 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 method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

#### **Precept**

The proportion of the budget raised from council tax.

#### **Provision**

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

#### **PWLB**

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

#### **Related parties**

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

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

#### **Retirement Benefits**

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

#### **Scheme Liabilities**

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

#### **Settlement**

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

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

#### **Vested Rights**

In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled 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.



**Audit Committee  
 Forward Work Plan 2017/18**

**18 July 2017**

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 7 June 2017	
Draft Statements of Accounts 2017/18 - Chief Constable - PCC/Group	From CFO/ Head of Finance

**5 September 2017**

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 18 July 2017	
Internal Audit 2017/18 Plan update and follow-up report	Report from Head of Internal Audit
Final Accounts 2016/17 Approval including External Auditor's Audit Results Report	Report from CFO and Director, E&Y
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

**9 January 2018**

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 5 September 2017	
Internal Audit 2017/18 Plan update 2018/19 Internal Audit Plan (draft)	Reports from Head of Internal Audit
External Audit 2016/17 Accounts Annual Audit Letter	Report from Director, E&Y
Treasury Management Update 2017/18	Report from CFO
Strategic Risk Register Update	Report from CExec and CC
Forward Work Plan	Report from CFO

### 13 March 2018

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 9 January 2018	
Treasury Management Strategy 2018/19	Report from CFO
Internal Audit 2017/18 Plan update 2018/19 Internal Audit Plan (Final)	Report from Head of Internal Audit
External Audit Plan 2018/19	Report from External Auditor
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

### 31 July 2018

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 13 March 2018	
Draft Statements of Accounts 2017/18 - Chief Constable - PCC/Group	From CFO/ Head of Finance

### 5 September 2018

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 31 July 2018	
Internal Audit 2018/19 Plan update and follow-up report	Report from Head of Internal Audit
Final Accounts 2017/18 Approval including External Auditor's Audit Results Report	Report from CFO and External Auditor
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

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