OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

NORFOLK CONSTABULARY
Our Priority is You

AUDIT COMMITTEE

Tuesday 27 September 2016 at 2 pm
In the Filby 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

2. Declarations of Personal and/or Prejudicial Interests

3. To approve the minutes of the meeting held on 8 July 2016 — PAGE 1 - 3

4. Internal Audit
   - Reports from Head of Internal Audit

   a) Internal Audit Progress Report 2016/17 — PAGE 4 – 23
   b) Internal Audit Recommendations follow up- Verbal update

5. Statements of Accounts 2015/16 – Sign Off — PAGE 24 - 29

- CFO's covering report
- Updated and highlighted PCC / Group Accounts (Appendix 1)
- Updated and highlighted CC Accounts (Appendix 2)
- Annual Governance Statement 2015/16 (Appendix 3)
- Audit Results Report – Ernst and Young LLP (Appendix 4)

6. Forward Work Plan
   - Report from Chief Finance Officer — PAGE 224 - 225

Part 2 – Private Agenda

7. Strategic Risks Update PAGE 226
 - Report from Chief Executive OPCC and Chief Constable

8. Date of Next Meeting

 2 December 2016 at 2 pm in the Filby Room, Jubilee House, Falconers Chase, Wymondham, Norfolk.

Enquiries to:

OPCCN
Building 8, Jubilee House,
Falconers Chase, Wymondham, Norfolk, NR18 0WW
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如果您希望把这份资料翻译为国语，请致电 01953 424455 或发电子邮件至：opccn@norfolk.pnn.police.uk 联系诺福克警察和犯罪事务专员办公室。

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

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

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

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

OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

NORFOLK CONSTABULARY
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MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON FRIDAY 08 JULY 2016 AT 2 P.M. IN THE WROXHAM ROOM, JUBILEE HOUSE, FALCONERS CHASE, WYMONDHAM

Attendance:

Mr R Chapman (Chair)
Mr R Bennett
Mrs J Hills

Also in attendance:

Mr M Stokes	Chief Executive (OPCC)
Mr P Jasper	Head of Finance
Mr I Fearn	Head of Financial Accounting and Specialist Functions
Mr C Hewitt	Ernst and Young
Miss J Heal	Financial Accountant

1. Welcome and Apologies

The Chairman welcomed those present. Apologies were received from Mr Harry Humphrey, the PCC Lorne Green and John Hummersone.

2. Declarations of Personal and/or Prejudicial Interests

None were declared.

3. To confirm the minutes of the meeting held on 23 June 2016.

The minutes of the meeting held on 23 June 2016 were agreed subject to the following amendments:

"DCC Hall agreed that the wording of one of the recommendations of the Cyber Security Audit…" – should read "DCC Hall agreed that the wording of one of the management responses to the Cyber Security Audit"

Accounting Policies for 2015/16 Statements of Account: "CFO to clarify wording", the CFO has now clarified the wording.

4. Audit Committee Review of the Statements of Account for 2015/16

Mr Chapman noted that Members had gone through the accounts in detail in the morning briefing session, and that enhancements would be discussed in the formal part of the meeting.

This briefing was made by way of a presentation by the Head of Finance, and the Head of Financial Accounting, and explained the accounting framework that dictates what was included in the accounts, the governance arrangements for the sign-off of the accounts, as well as the purpose of the main statements and an explanation of key notes. There was also focus on the difference between some accounting entries required in the accounts that are not charged against the General Fund, compared to some statutory charges that are required to be charged in this way, as shown in the Movement in Reserves Statement and the Narrative Report.

Members made some suggestions for minor presentational amendments and additions to aid clarification of issues for the reader of the accounts. During the course of the briefing members asked questions about some of the technical aspects of the accounts to improve their understanding of these elements, and these were answered in full by the Head of Financial Accounting and Specialist Functions, and by the Head of Finance.

It was also agreed that any significant changes between the draft accounts as presented at this committee, and the final version that will be presented to the September committee, will be highlighted clearly to ensure the committee members were fully aware of such changes.

Mr Bennett agreed that the morning session had been worthwhile for giving background, and that the changes identified by the Committee were either presentational or for clarification.

Mr Hewitt was asked to speak about the external audit process. He confirmed that the audit was due to start at the end of this month, and that a streamlined approach would be taken across Norfolk and Suffolk to reflect the structure of the new joint finance team.

The narrative report would be reviewed by external audit, taking into account guidance in the updated Code of Practice, particularly around areas such as performance indicators.

The Head of Finance reiterated that there would be enhancements to the narrative report between now and sign off.

Prior period adjustments were noted and the auditors would look at these in detail.

Mr Chapman asked if anything was likely to delay the audit.

Mr Hewitt confirmed that technical guidance had already been sought within EY on the prior period adjustments, and that this should not delay the audit as there was a process in place. The audit was presently fully resourced to deliver by the September Committee.

Mrs Hills asked when the Annual Governance Statement (AGS) would come before the committee. Mr Stokes confirmed that this would be at the next committee meeting in September. Mrs Hills requested early sight of this.

Action noted for John Hummersone (CFO)

Mr Chapman suggested that a meeting could be held between now and September if necessary. Mrs Hills said that the committee needs to agree the statement but this could be done via email.

Mr Hewitt observed that the new Accounts and Audit Regulations require the AGS to be published with the accounts on the website during the inspection period.

The Head of Finance observed that this was a change from the previous Accounts and Audit Regulations, which did not require publication of the draft AGS ; therefore the draft AGS will be published on the website as soon as possible.

5. Date and time of next meeting

Tuesday 27th September at 2pm in the Filby Room, Jubilee House, Falconers Chase, Wymondham, Norfolk.

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CHAIRMAN

AUDIT COMMITTEE 27TH SEPTEMBER 2016 AGENDA ITEM 4A

INTERNAL AUDIT

tiaa

Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies

Norfolk Internal Audit Progress Report

September 2016

INTRODUCTION

1. This summary report provides an update on the progress of our work at the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies as at 13th September 2016. The report is based on internal audit work carried out by TIAA and management representations that have been received during the period since our last progress report.

PROGRESS AGAINST THE 2016/17 ANNUAL PLAN

2. Our progress against the Annual Plans for 2016/17 is set out in Appendix A. The results of these reviews are summarised at Appendix B.

AUDITS CARRIED OUT SINCE THE PREVIOUS PROGRESS REPORT

3. The table below sets out details of audits carried out since the previous meeting of the Audit Committee.

		Key Dates			Number of Recommendations			
Review	Evaluation	Draft issued	Responses Received	Final issued	1	2	3	OEM
Transport	Reasonable	21/06/2016	26/06/2016	27/06/2016	0	4	2	0
Corporate Communications	Reasonable	14/06/2016	31/08/2016	02/09/2016	0	4	3	5
FoI / DP / Document Security	Reasonable	26/07/2016	23/08/2016	31/08/2016	0	0	8	2
Firewalls	Substantial	09/06/2016	09/08/2016	09/08/2016	0	0	0	0
ICT – Disaster	Reasonable	26/07/2016	10/08/2016	10/08/2016	0	4	1	1

Recovery								

OEM = Operational Effectiveness Matters

Summaries of the finalised reports are attached at Appendix B, Full reports are available to Audit Committee Members on request. The details for Norfolk only reports will not be included in the Suffolk progress report.

CHANGES TO THE ANNUAL PLAN 2016/17

4. There have been the following changes made to the annual plan:

- The risk management and governance audits have been brought together to be undertaken as one audit with the assurance framework. This will provide some efficiencies in days, to be transferred to contingency.
- Timing of audits across the year have changed, to coincide with operational requirements.
- The network element of the network and social media audit has been combined with corporate communications, with the social media elements not being undertaken. This is due to the level of IT coverage within this element between both audits being combined with the systems audit and changes within the department.

FRAUDS/IRREGULARITIES

5. We have not been advised of any frauds or irregularities in the period since the last summary report was issued.

LIAISON

6. Liaison with external audit: We have liaised with EY during the year and kept them informed of our work and will make available to them all final audit reports. Liaison with the Chief Finance Officers: Regular progress meetings are held with the Chief Finance Officers.

PROGRESS ACTIONING URGENT and NOT APPROVED RECOMMENDATIONS

7. We have made no urgent recommendation (i.e. fundamental control issues on which action should be taken immediately) since the previous Progress Report.

8. We have made no recommendations which have not been approved by management since the previous Progress Report.

RESPONSIBILITY/DISCLAIMER

9. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Appendix A

Progress against the Annual Plan for 2016/17

System	Planned Quarter	Planned Days	Actual Days	Current Status	Expected Audit Committee	Comments
Transport Services	1	15	15	Final report issued	September 2016	
Corporate Communications / Network	1	12	16	Final report issued	September 2016	Network aspects covered within Corporate Communications, 4 days moved from ICT Network / Social Media
HR Recruitment	1	12	12	Draft report issued 13th September 2016	December 2016	
Duty Management System	1	15	15	Draft report issued 13th September 2016	December 2016	
FoI / DP / Document Security	1	15	15	Final report issued	September 2016	Audit commencing 27th June 2016
ICT – Firewall	1	12	12	Final report issued	September 2016	
ICT – Network / Social Media	2	12	-	Complete	n/a	Social Media aspects within Corporate Communications due to areas now within the same management responsibilities
Assurance Framework / Risk Strategy and Policy / Mitigating Controls Verification / Strategic Control and Corporate Governance	2	35		Scheduled	March 2017	Combined areas into one audit
Overtime, Expenses and Additional Payments	2	16	6	Scheduled	March 2017	Scheduled for November 2016
Firearms Management	2	12	11	In progress	December 2016	
Estates – Duty of Care / Cost Allocations	2	12		Scheduled	December 2016	Scheduled for October 2016
Estates – Facilities (Catering – Suffolk)	2	6		Draft report issued 12th September 2016	December 2016	
ICT – Disaster Recovery	2	12		Final report issued	September 2016	
Performance Management	3	15		Scheduled	March 2017	Scheduled for November 2016

System	Planned Quarter	Planned Days	Actual Days	Current Status	Expected Audit Committee	Comments
Purchase Cards	2	12	2	In progress	December 2016	
Budgetary Control	3	12		Scheduled	December 2016	Scheduled for October 2016
Pensions Administration	3	10		Scheduled	March 2017	Scheduled for October 2016
HR – Strategy & Workforce Planning	3	10		Scheduled	December 2016	Scheduled for October 2016
Complaints	4	10		To be scheduled	June 2017	Moved from Q1 due to timing of the change in rules in November 2016
Collaborations	4	10		To be scheduled	March 2017	
ICT – Exchange 2010 / Email Archiving	4	12		Scheduled	June 2017	Scheduled for February 2017
ICT – ERP Second / Third Line Support	4	12		Scheduled	March 2017	Scheduled for January 2017
Key Financial Controls	4	30		To be scheduled	March 2017	
Payroll	4	10		Scheduled	March 2017	
Estates – Maintenance and Repair	4	12		To be scheduled	June 2017	
Commissioners Grants (Norfolk)	4	10		To be scheduled	June 2017	
Follow Up Work	2 / 4	10	5	Ongoing		Year-end reporting June 2016 / mid-year reporting
Contingency	1-4	18		As required		Possibility bring forward Lone Working or Safeguarding from 2018/19
Audit Management	1-4	20	10	Ongoing		
Total Days	-	399	119			

KEY:

(blue)	=	To be commenced
(yellow)	=	Site work commenced
(beige)	=	Draft report issued
(green)	=	Final report issued

Appendix B

Summaries of Finalised Audit Reports issued since the last report

Audit Report: NSC1703 Transport Services

Report Issued: 27th June 2016

SCOPE

The review considered the systems, controls and processes around the maintenance and repair of vehicles and the usage of fuel.

MATERIALITY

Total spend in 2015/16 was £2.4m. Budget information provided by the Head of Transport confirmed that the department was overall £66,323 underspent.

There are 1021 cars within the fleet. In 2015/16 128 vehicles were disposed of, with a value of £145,317.47. Currently in 2016/17, seven have been disposed of, to a value of £8,312.50.

KEY FINDINGS

- A Joint Transport Strategy has been produced and approved. A Joint Transport Policy supports this document. Standard operating procedures are in the process of being updated following staffing changes.
- Testing of disposal, servicing and maintenance proved satisfactory.
- Testing of issuing of fuel cards proved satisfactory.
- Fuel Card usage is monitored and reported on a monthly basis by Allstar
- Recommendations made relate to the publication of strategy on both websites, the document approval process, vehicles exceeding maximum mileage/age, de-commissioning forms, standardising weekly vehicle checks forms and process for monitoring completion.

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	2	0

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	The Joint Transport Strategy is supported by the Joint Transport Policy, including security of Constabulary vehicles V6. This was reviewed as part of the audit and it can be confirmed that there is no date for the document or approval process recorded within it. There is an index of operating procedures which has recently been prepared as a result of the reorganisation of the department. At the time of the audit these had not been fully completed.	The Joint Transport Policy be subject to document control and approval process and current operating procedures should be updated and maintained.	2	*Joint Transport Policy Force Policy Officer, Corporate Development and Change to be consulted regarding document control and approval process. It should be noted this is a Transport Services only Policy as it was determined the Policy was more aligned to a standard operating procedure.* *The standard operating procedures are in the process of being updated to reflect T13 restructure and process changes.*	*31/10/16*	*Head of Transport*

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	A download from the Tranman database provided details of both the current mileage of the vehicle and its age. A review of this data confirmed that there are 1021 cars within the fleet. Of these, 55 are above the replacement mileage as stated in the Joint Transport Strategy and a further 183 are over their maximum age. The Head of Transport Services confirmed that each vehicle is reviewed once it reaches either the maximum mileage or age and a decision is made on whether to retain the vehicle or dispose of it. Evidence of this decision and the approval of the Head of Transport Services is not recorded in these cases on Tranman and therefore no record is held to support the vehicles not complying with the Joint Transport Strategy.	Decisions made on vehicles that have exceeded the maximum mileage or age as detailed in the Joint Transport Strategy be noted on Tranman and approved by the Head of Transport Services.	2	*The Head of Transport determines whether a vehicle will be retained over and above the vehicle replacement criteria for the role. This is determined by a number of factors such as condition, use, and available budget. Vehicles are considered on an individual basis. Vehicles are retained following replacement for specific operations etc. on a temporary basis. Vehicles highlighted for replacement by Tranman are exported to a replacement report where this information is detailed. A field will be created on Tranman that details this information.*	*31/07/16*	*Head of Transport*

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Compliance	Weekly vehicle checks were discussed with the Head of Transport, who confirmed that there are different systems operating within Suffolk and Norfolk. Within Suffolk there are currently four different vehicle inventory forms in use. Within Norfolk there is one form in use. Whilst the forms are broadly similar it doesn't provide a consistent approach across that two counties.	The weekly vehicle check form be standardised across both counties.	2	*Within Norfolk weekly check sheets fall under the remit of the Driver of Police Vehicles Force Policy Document, with the Policy owner being Specialist Operations. Within Suffolk the remit is with the County Policing Command. Norfolk and Suffolk Constabularies are aligning their equipment levels and types. This will then allow the use of one form across both Counties. This is already in progress and will be managed through the Transport Strategic Group.*	*31/12/16*	*Head of Transport*

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Compliance	Drivers are required to provide copies of the weekly checklist to their local station. These are usually completed on a Sunday. Records of checks completed are maintained within the local station, although the system is different depending upon the local station. Evidence was provided from staff across both Suffolk and Norfolk, which illustrated that weekly checks are being undertaken and results are being recorded and monitored within local stations, however the system isn't standardised and there is no central reporting to ensure that there is an overview of the process, in order to identify any areas that are not meeting expectations.	The system for recording and monitoring the completion of the weekly vehicle checks be standardised and a system for central oversight of the results of the checks be implemented.	2	*There is scope for the central reporting hub to be Transport services. This will be progressed through the Transport Strategic Group.*	*31/12/16*	*Head of Transport*

Audit Report: NSC1704 Corporate Communications

Report Issued: 2nd September 2016

SCOPE

The review considered the handling of internal and external communications, including social media. The constabulary websites were excluded from the scope as these are under review and will be covered by a subsequent internal audit review.

MATERIALITY

Communications are essential for the purposes of keeping staff and the public informed of crimes, operations and initiatives.

KEY FINDINGS

- There is a Digital Strategy 2015-18 which sets out the importance of social media and an objective to expand the use of this.
- There is currently no formal Corporate Communications Strategy or Policy.
- The Corporate Communications Teams carry the risk of reliance on the experience of key individuals, with a lack of written protocols.
- Internal and external communications are undertaken through a variety of channels, including wide use of social media.
- Social media usage is monitored and reported, although the effectiveness of communication is an area for development.

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	3	5

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	There is currently no corporate communications strategy.	A corporate communications strategy be developed and embedded, aligned with the visions of the Norfolk and Suffolk Constabularies.	2	*A communications strategy will emerge over the next six months. Revised Police and Crime Plans for both forces are awaited: these will form a central element of an effective strategy.*	*31/03/17*	*Head of Corporate Communications*
2	Directed	There are currently no formal communications policies.	Corporate communications policies be developed and embedded. Appropriate review periods be set for each policy.	2	*Formal policies on specific areas (for example Social Media) are being developed on an ad hoc basis. This will be ongoing, with a date of 31/03/17 set for review.*	*31/03/17*	*Head of Corporate Communications*
3	Directed	The audit identified a lack of written protocols in the communications teams. This is especially a risk given the reliance on the experience of key individuals.	Written protocols be prepared to cover the roles within the Corporate Communications teams, with appropriate references to College of Policing guidance, media law and best practice.	2	*A series of communications protocols are being developed covering the core areas of the department's activities.*	*31/03/17*	*Head of Corporate Communications, Communications Managers*

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	In addition to the corporate Twitter accounts, there are a large number of district, department / unit and individual Twitter accounts. Staff are encouraged to arrange for individual accounts to be set up and to access to existing accounts. The audit was unable to identify whether a risk assessment had taken place in respect of this.	A risk assessment be undertaken in respect of the wide access granted to Twitter accounts.	2	*A policy decision was made at Chief Officer level to offer accounts to individual officers and staff, and it seems unlikely that this decision will or should be revisited. The value of a formal risk assessment is therefore limited, but a constant overview of social media is maintained to identify and mitigate risk and to promote good practice via training. This will be ongoing, with a date of 31/12/16 set for review.*	*31/12/16*	*Head of Corporate Communications, Digital Media Team, Communications Managers*

Audit Report: NSC1708 FoI, Data Protection, Document Security

Report Issued: 2nd September 2016

SCOPE

The review considered the effectiveness of managing freedom of information requests, data protection and document security. The scope did not include incident management, cyber security or records management compliance, as these are subject to separate reviews.

MATERIALITY

It is crucial to protect information in order to provide effective policing. It is a legal requirement to comply with the Data Protection Act 1998 and the Freedom of Information Act 2000.

KEY FINDINGS

- There is a sound governance and risk management structure in place, overseen by the Information Management Steering Group (IMSG).
- There is a suite of information management policies in place. Many are under review and this is being overseen by the IMSG.
- Subject access requests and Freedom of Information disclosures are well documented, authorised and generally timely.
- Testing of Information Sharing Agreements found some issues around central recording, authorisation and review.
- System access audit is documented, although recent Police National Database (PND) audit had not been carried out at the time of this audit.

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	8	2

Audit Report: NSC1704 Corporate Communications

Report Issued: 2nd September 2016

SCOPE

The review has considered the effectiveness of the controls in place around the management of firewall appliances. The firewall appliances are all CISCO appliances and are currently undergoing a tech refresh to replace older appliances in Mission Critical and Business Critical order. The CISCO ASA 5505 devices are being replaced with ASA 5506X and the ASA 5510s are being replaced with ASA5512x appliances.

MATERIALITY

Robust management of firewall appliances is critical to helping to ensure the security of the ICT network and the data hosted therein.

KEY FINDINGS

- Example testing indicated that the firewall infrastructure is being managed adequately and effectively.
- Older firewall appliances are currently being replaced to remain compliant with PSNP requirements.
- The Intrusion Prevention system is being replaced by FireSIGHT, with related business procedures being updated to take account of the change.
- Mission-critical and certain business-critical systems are protected by a resilient firewall infrastructure.

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Audit Report: NSC1712 Disaster Recovery

Report Issued: 10th August 2016

SCOPE

The review considered the effectiveness of the controls in place around ICT Disaster Recovery.

MATERIALITY

Norfolk and Suffolk Constabularies provide an emergency service to the public in the region and elsewhere on a 24 hour basis, which requires a resilient Mission-critical IT infrastructure to support.

KEY FINDINGS

- The Physical and Environmental security of the equipment rooms at the Operations & Communications Centre and Dereham Police Station were generally found to be adequate, with some suggestions for minor enhancements having been made.
- Mission-Critical services are being adequately targeted for priority IT support.
- Testing of the Backup processes proved adequate.
- Recommendations made relate to the need to review the document set that makes up the Disaster Recovery readiness plans, conducting physical Disaster Recovery tests, servicing the manual fire extinguisher in Dereham, changing door lock key codes and installing webcams in the Dereham equipment rooms.

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	1	1

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Disaster Recovery plans are comprised of a range of separate procedure documents that cover different aspects of Disaster Recovery in place. For example, there is an Emergency 24x7 Support process, ICT Substantial Loss of Staff procedure and an ICT Major Incident procedure. The documents have all received relatively recent review, although there are discrepancies between review dates recorded in version histories and within the headers of the documents. The audit also noted that there are duplications across the document set. An example of this is roles & responsibilities. The document set requires review to rationalise the document set to remove duplications and to take account of a recent major restructure within the department that may affect roles and responsibilities.	Documents making up the IT Disaster Recovery response all require review to ensure that they are all aligned and that review dates match where required. Review also required to take account of a recent major restructure within the IT department and include 3rd party vendor contact details and key SLA requirements for each. The framework of documents also overlap in terms of content. Hence the review should also attempt to rationalise the number of documents. Once the review is completed, ensure that all offline copies are updated. For example, copies issued to senior managers and the hard copies contained within the red folders at both ends of the IT department.	2	*Documentation to be reviewed, rationalised and re worked to address the recommendations.*	*30/11/16*	*Process and Policy Manager*

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	Mission critical systems are in scope for annual Business Continuity testing. The exercises have been theoretical desktop exercises to date and the IT department have taken part. Physical Disaster Recovery testing has not taken place. An example of a small scale physical Disaster Recovery test could be the removal of an email cluster from the network to understand the ability of the remaining two clusters to continue providing email services with no disruptions. Subsequent physical testing would likely comprise larger scale testing of mission- and Business-critical services as confidence increases. A recommendation to look into the feasibility of planning and conducting physical Disaster Recovery tests and feeding the results back into relevant Disaster Recovery plans, where required, has been raised. Such tests to help provide tangible assurance over the ability of the IT infrastructure to provide seamless support to mission-critical and Business-critical services.	IT Management to work with the business areas to look into the feasibility of conducting regular physical Disaster Recovery Tests, planning these in over time and feeding the results back to the business and relevant Business Continuity and Disaster Recovery Plans as appropriate.	2	*ICT have previously engaged with the CCR to conduct physical testing but due to the nature of the criticality of the systems the appetite to conduct the testing has been low, however ICT will work with the Business leads to look into the feasibility of the recommendations with a view to planning physical tests should approval by the business be given.*	*31/12/16*	*Head of ICT Infrastructure*

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Operational	Keycodes are used for 2 of the rooms in Dereham. Codes are not changed frequently, although it is acknowledged that there are restrictions on the number of staff with access to the codes and that the Dereham Police Station is staffed 24 hours a day. However, it is considered good practice to change the codes on a regular basis and always after staff with knowledge of the codes have left.	Equipment rooms that are locked using keypad codes should have their codes changed periodically and always after staff with knowledge of the codes have left. Appropriate recordkeeping to log the changes, dates, and signatures should be kept.	2	*To be implemented in conjunction with Facilities Dept.*	*30/09/16*	*Head of ICT Infrastructure*
5	Operational	All of the built-in fire systems were found to have been serviced within the last year. However, the manual fire extinguisher service log suggests that its last service was undertaken in 2013. A recommendation to look into this has been raised.	IT Management to work with relevant estates colleagues to understand and resolve the service status of the manual fire extinguisher located in Equipment Room 1 at Dereham Police Station.	2	*This has been highlighted to the Head of Estates and will be addressed as soon as possible.*	*31/08/16*	*Head of ICT Infrastructure*

OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

NORFOLK CONSTABULARY
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ORIGINATOR:	Chief Finance Officer
REASON FOR SUBMISSION:	**Decision**
SUBMITTED TO:	Audit Committee - 27 September 2016
SUBJECT:	Statements of Accounts 2015/16 – Sign Off

SUMMARY:

1. The Police and Crime Commissioner's (PCC) and Chief Constable's draft Statements of Account were considered by the Committee in July 2016. The Committee asked to be informed of any significant changes following the audit.

2. Copies of the updated PCC / Group accounts (Appendix 1) and CC accounts (Appendix 2) are attached with highlighted changes.

3. The draft Annual Governance Statement published with the draft Statements of Account in June has been updated following the external auditor's review and is attached at Appendix 3.

4. The external auditor's Audit Results Report is attached at Appendix 4 and will be presented by Kevin Suter, Audit Director, Ernst and Young.

5. The external auditor requires Letters of Representation to be signed by the PCC Chief Finance Officer and CC Chief Finance Officer before issuing his final audit opinion on the Statements of Accounts by 30 September 2016. See Appendix 4.

6. The Chief Constable, Chief Executive and CFO, in attendance at the meeting, will sign the Accounts and related documents. The PCC will sign on the morning of the 28th September 2016.

RECOMMENDATION:

1. The Committee is invited to recommend the Statements of Accounts and the Annual Governance Statement for signature by the PCC and Chief Constable.

1. BACKGROUND

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

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

1.3 The draft Statements of Accounts 2015/16 were considered by the Committee in July 2016. Members wished to be advised of any significant changes following the audit.

2. ANNUAL GOVERNANCE STATEMENT

2.1 The production of the draft Annual Governance Statement 2015/16 has been overseen by the Corporate Governance Working Group and it was published alongside the draft Statements of Accounts.

2.2 Attached at Appendix 2 is an updated and final AGS for consideration by the Committee following comments raised by the external auditor. The main changes relate to the inclusion of more information regarding recommendations made by HMIC during the year and the actions in progress.

3. CHANGES TO THE ACCOUNTS AND AUDIT RESULTS REPORT

3.1 Circulated with the report, at Appendix 1 and 2 are the updated Statement of Accounts for the PCC / Group and for the Chief Constable, with all changes highlighted. This includes significant updates to the Narrative Reports.

3.2 The auditor's Audit Results Report for the year ended 31 March 2016 is attached at Appendix 4 and will be presented by Kevin Suter.

4. LETTERS OF REPRESENTATION

4.1 The appendices to the Audit Results Report include the draft Letters of Representation, which are required to be signed by the CFO and provided to the external auditor prior to issuing his opinion on the PCC and CC's financial statements. Final copies will be available at the meeting.

5. PROCESS FOR FINAL APPROVAL

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

5.2 The auditor will then sign the accounts, before the deadline of 30th September 2016.

6. FINANCIAL IMPLICATIONS

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

7. OTHER IMPLICATIONS AND RISKS

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

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

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

AUDIT COMMITTEE
27 SEPTEMBER 2016
AGENDA 5
APPENDIX 1

OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

THE POLICE AND CRIME COMMISSIONER FOR NORFOLK

GROUP AND PCC STATEMENT OF ACCOUNTS

31 March 2016

www.norfolk-pcc.gov.uk

30.

Statement of Accounts

for the year ended 31 March 2016

Contents page

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

Opinion on the Police and Crime Commissioner for Norfolk financial statements

We have audited the financial statements of the Police and Crime Commissioner for Norfolk for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- *Police and Crime Commissioner for Norfolk and Group Movement in Reserves Statement;*
- *Police and Crime Commissioner for Norfolk and Group Comprehensive Income and Expenditure Statement;*
- *Police and Crime Commissioner for Norfolk and Group Balance Sheet;*
- *Police and Crime Commissioner for Norfolk and Group Cash Flow Statement;*
- *Police and Crime Commissioner for Norfolk Police Pension Fund Account Statements*; and
- *the related notes 1 to 37.*

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 3, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Norfolk and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Norfolk and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;

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

We have nothing to report in these respects.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

Police and Crime Commissioner's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Police and Crime Commissioner for Norfolk had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Norfolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Norfolk has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Kevin Suter (senior statutory auditor)
For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
September 2016

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:

L Green
Police and Crime Commissioner for Norfolk **September 2016**

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 2016, and its income and expenditure for the year to that date.

J Hummersone FCPFA **September 2016**

Chair of Audit Committee

These accounts were reviewed by the Audit Committee on behalf of the PCC on 27 September 2016.

September 2016

Narrative Report

Message from the Police and Crime Commissioner, Lorne Green

As the new PCC for Norfolk, I took up post on 12th May 2016 and these accounts set out the financial position of the organisation as overseen by my predecessor.

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 2016,
- 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 .

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, 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 staff across the Constabulary and Office of the Police and Crime Commissioner; in particular I would commend the Chief Finance Officer and his team. I therefore would like to express my thanks 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 2016, 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 2015/16 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

The Police Reform and Social Responsibility Act 2011 (the Act) changed the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace the Norfolk Police Authority (NPA) with a newly elected Police and Crime Commissioner for Norfolk (PCC). Both the PCC and the Chief Constable (CC) for Norfolk Constabulary (who is responsible for the operational policing of Norfolk), were established as separate legal entities. Corporate governance arrangements for the PCC and CC 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 Police Reform and Social Responsibility Act 2011, 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 CC of Norfolk and together they form the PCC for Norfolk Group.

The Revenue Budget and Capital Programme for 2015/16 were approved by the previous PCC, Stephen Bett. The new PCC, Lorne Green, elected in May 2016, will be required to sign the accounts although he was not in office during the 2015/16 financial year.

The PCC is, in turn, accountable to the Norfolk Police and Crime Panel which scrutinises the actions and decisions of the Commissioner. 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 877,700, an increase of 6,700 on the previous year. 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 23.4% of Norfolk's population aged 65 and older compared with 17.6% in England. 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%.

As a popular tourist destination, Norfolk receives more than three million visitors per year with around 60,000 jobs directly supported by tourism. public sector, agriculture, retail and engineering are all significant employers in Norfolk's local economy.

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.

Collaboration and partnership working

There is a clear expectation from the Home Office, the Treasury and HMIC, among others, for police forces and PCCs to work collaboratively. This continues to be reflected in statutory guidance and inspection frameworks.

The Police Reform and Social Responsibility Act 2011 places new 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 five 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), most recently in its October 2015 PEEL (police efficiency, effectiveness and legitimacy) inspection report in which Norfolk Constabulary was graded 'outstanding'.

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 of 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.

Looking beyond police force collaboration, the Home Secretary launched a consultation in September 2015 on a proposed new duty for the three emergency services to collaborate with one another. The consultation acknowledges that while collaboration between emergency services does occur in many areas of the country, it is not as widespread or as wide-ranging as it could be in delivering efficiencies and better services.

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, in 2016 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

PCCs are responsible for commissioning services that help to secure a reduction in local crime and disorder and which support victims and vulnerable people.

This responsibility is met through the issuing of grants to individuals or organisations which the PCC believes to be capable of contributing to the achievement of these overall objectives.

Services are funded by the OPCCN's commissioning budget across four key areas, as set out in the PCC's police and crime plan: domestic abuse and sexual violence, mental health, drugs and alcohol, victims and witnesses, and rehabilitation of offenders.

In 2015/2016, the OPCCN had a total commissioning budget of almost £2m, comprising:

- OPCCN commissioning budget of £1m
- Ministry of Justice funding stream of just under £1m, 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. 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 CC 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-today 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 2015/16 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 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 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 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 were no new requirements in the CIPFA code 2015/16 that materially affected the Statements of Accounts.

However, as part of the accounts preparation process, two errors were identified in the way that income and expenditure were shown within the CIES in the 2014/15 accounts.

The PFI grant relating to Wymondham OCC was shown as part of Taxation and Non-Specific Grant Income; in line with the Service Reporting Code of Practice, this should have been apportioned over the net cost of policing lines.

The transfer from the Police General Fund to the Police Pension Fund was shown as expenditure in the Other Operating Expenditure section of the CIES and an equivalent actuarial gain was shown within the remeasurement of the net defined benefit liability in other comprehensive income and expenditure. The correct treatment in line with the Code of Practice is to debit the Police General Fund through the Movement in Reserves Statements, rather than to show the expenditure within the CIES.

These errors require a prior period adjustment being made to the 2014/15 figures to re-present the above position.

The error in relation to the transfer from the Police General Fund to the Police Pension Fund impacts on the Movement in Reserves Statements for the Group and the Chief Constable, the Comprehensive Income and Expenditure Statements for the Group, the PCC, and the Chief Constable, and the Cashflow Statements for the Group and the Chief Constable. There is no impact on the Balance Sheet for the Group or for either single entity. The error in relation to the PFI grant impacts solely on the Comprehensive Income and Expenditure Statements for the Group and the PCC.

During 2015/16, the finance teams from Norfolk and Suffolk Constabularies have been amalgamated into one joint finance team, and therefore one team is now responsible for preparing the Statement of Accounts for both organisations. This collaboration has resulted in the format of the accounts being revisited, and a number of presentational enhancements have been made. These include:

- PCC Commissioning income and expenditure is now shown in a separate line in the Net Cost of Policing, whereas it was previously shown within the Corporate and Democratic Core. This presentation achieves greater transparency.
- Various presentational enhancements to the balance sheet, including showing short-term borrowing and PFI liabilities separately to short-term creditors and accruals.

4. The 2015/16 Revenue and Capital Budget Process

The 2015/16 revenue budget process continued the process of addressing the financial challenges from the Spending Reviews of 2010 and 2013.

A joint financial planning process took place in accordance with a timetable agreed by the Norfolk and Suffolk Chief Constables. This process was established as a consequence of the substantial number of collaborated areas and, therefore, the requirement to align as far as possible the service delivery plans in these areas.

Chief Officers met with senior managers and reviewed and challenged savings ideas, and growth pressures for 2015/16 and beyond. The process concluded with Joint Norfolk and Suffolk Chief Officer meetings that agreed joint budgets, costs and savings to be included in spending plans.

The PCC considered views from the community, key stakeholders and public sector bodies, on proposals for expenditure and to business representatives to enable them to comment upon the proposals. As a result the PCC proposed a council tax increase of just under 2% to the Police and Crime Panel.

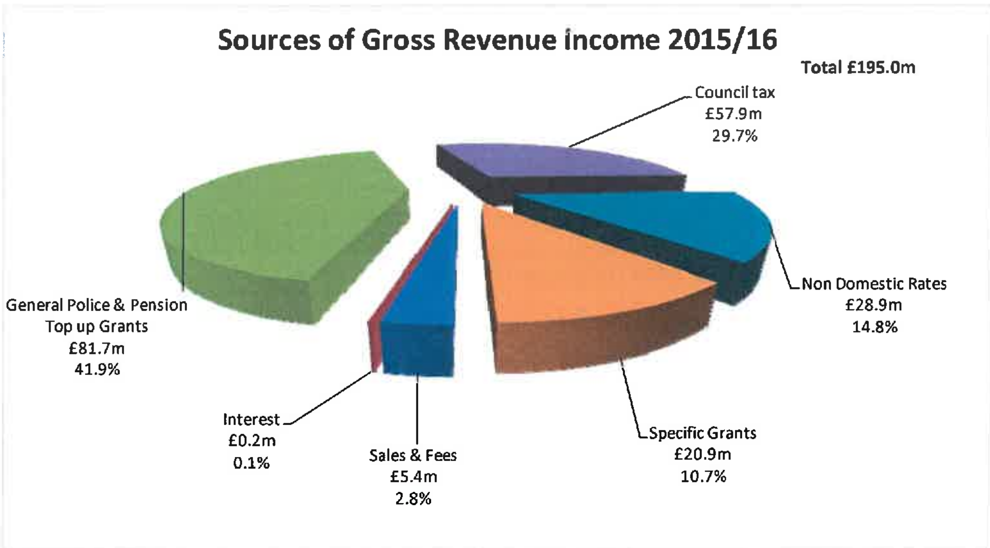
These spending plans were then incorporated into the medium-term financial plan of the PCC that covered the period 2015/16 to 2019/20 which was signed off in February 2015.

The medium term financial plans for the PCC are available on 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 2015/16:



Revenue Budget

In January 2015, the (former) PCC approved a net revenue budget for 2015/16 of £146.780m. The council tax for a Band D property for 2015/16 was £208.80 (2014/2015 £204.75) 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 developed to address the savings requirements arising from the spending reviews of 2010 and 2013 that covered the period up to 2015/16.

Savings plans of £7m were identified for 2015/16, and actual savings achieved were £7.388m. The impact of the Home Office Grant Settlement for 2016/17 is a 0.6% cash reduction and there is a savings requirement of £5.143m. The PCC and CC 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 2016/17 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
Office of the PCC	988	935	53
Constabulary	138,202	137,668	534
OPCC - Grants	1,018	799	219
Capital Financing	10,426	10,362	64
Net Expenditure on Police Services	150,634	149,764	870
Net total contributions to / (from) earmarked reserves	(3,854)	(2,984)	(870)
Total Net Expenditure	146,780	146,780	-
Funded by:			
Precept Income	(58,029)	(58,029)	-
Grants and non-domestic rates income	(88,751)	(88,751)	-
DCLG Grants		-	-
Transfer from/(to) general reserves	-	-	-

The Total Net Expenditure in the above table is different to Net Cost of Police Services reported in the CIES (shown on page 20), 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 following table.

2014/15 £000		2015/16 £000
148,154	**Total Net Expenditure per Outturn Report**	146,780
(1,106)	Revenue funding of capital	(3,558)
(1,555)	Minimum Revenue Provision (MRP)	(4,773)
5,699	Depreciation, amortisation and impairments	5,665
12	Financial Instrument Adjustment Account amount released in year	12
-	Profit and loss on disposal of assets charged to the general fund	(18)
35,401	IAS 19 pension service costs (accounting basis)	36,689
(21,777)	Pension contributions (funding basis)	(21,624)
7	Movement on employee benefits accrual	211
(357)	Transfers from/(to) earmarked reserves	8,183
275	Interest received	265
(7,496)	Interest payable	(7,172)
157,257	**Net Cost of Police Services**	**160,659**

Capital Budget

The Capital Programme for 2015/16, including slippage from 2014/15, was £9.037m. Actual expenditure against this total was £4.608m. The underspend of £4.429m was primarily due to re-profiling of major estates schemes. Actual expenditure includes an amount of £0.3m 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 (£1m), revenue contributions (£1m), the Capital Financing Reserve (£2m) and capital receipts (£0.5m).

In addition to the above, expenditure was incurred by the Safety Camera Partnership amounting to £0.8m, this was financed from the Safety Camera Reserve. The PCC also received a donated asset (£0.6m) which was financed by a notional capital grant.

Long Term Liabilities

Pension Liabilities

The PCC operates 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:

Year-end	*Total*	*Officers*	*Staff*
31 March 2016	£1,372m	£1,325m	£47m
31 March 2015	£1,522m	£1,454m	£68m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,348m at 31 March 2016, 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 £26.2m.

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 £37.0m.

Reserves

As at 31 March 2016, the PCC has usable reserves of £29.0m which are available to support revenue and capital spending. These include earmarked reserves of £24.5m (against which there are significant commitments), and a general reserve of £4.5m. 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 2015/16, 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 2015/16 was £37.0m and the interest received against the budget of £0.290m was £0.264m. The overall return of 0.71% exceeded the LIBOR benchmark of the Local Government 7 day rate average of 0.25% by 0.46%.

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. The statement sets out the key governance arrangements for the PCC and CC including information about inspections from Her Majesty's Inspectorate of Constabulary (HMIC) and Internal Audit.

6. Non-financial performance

The latest Crime Survey of England and Wales shows 47,732 crimes in Norfolk in the year ending March 2016. This is an 8% increase in total recorded crime (excluding fraud) compared to the previous twelve months and compares with a 9% increase in total recorded crime across England. Norfolk has a rate of 54.4 crimes per 1,000 residents, well below the national average of 67.3.

March 2016 marked the end of the period covered by the outgoing PCC. From 2011 the Constabulary achieved a reduction in priority crime of 1,509 crimes (13%) and a reduction in anti-social behaviour of 19,946 calls (40%). The Constabulary achieved a reduction in reoffending amongst those on the 180 scheme of more than 50% and had a victim satisfaction score of 75.8%.

The Constabulary has continued its focus on identifying and supporting victims of hidden harm. Over the past twelve months, recorded domestic abuse crimes have increased by more than 20% and recorded sexual offences have increased by 21%. Much work has taken place locally and nationally to encourage reporting of these offences, ensuring victims are receiving the appropriate support and protection from perpetrators.

The significant reduction in anti-social behaviour achieved over the past five years is in no small part to the Operational Partnership Teams (OPTs) operating across every district in the county. Bringing together police and partner agencies, the OPTs are a dedicated resource with a remit to target repeat, vulnerable and high risk cases of anti-social behaviour. The Constabulary reduced reported incidents of anti-social behaviour by 16.4% in the past twelve months to April 2016, a reflection of the work tackling long term problems and challenges.

During 2015/16 the Constabulary radically changed the way it attends calls for service. The introduction of Threat, Harm, Risk, Investigation, Vulnerable, Engagement (THRIVE) processes in the control room ensures greater priority is given to attending those calls where the most threat and harm is present, but also greatly enhances the Constabulary's scheduled attendance ability. The changes mean the force is attending more priority calls within target but also providing a better service to those where the demand on the police call for attendance is at a time more suitable to the caller.

In May 2015 Radio 1's Big Weekend was held in Earlham Park. 50,000 people attended the two day festival but just eight arrests were made at the event. The Constabulary received praise for the policing of the event.
In total, the Constabulary policed and supported hundreds of events, including Norwich City football matches, Norwich Pride, the Sundown festival, summer carnivals across the county and King's Lynn's Festival Too

music events.

Further information on performance against the Police and Crime Plan is contained in the PCC's Annual Report, which is available on the PCC's website at www.norfolk-pcc.gov.uk.

7. Looking Forward

During the course of the last parliament, and through two Spending Reviews, police were required to deal with significant cuts in funding and deliver savings of around 20% in real terms. In the run up to the general election (May 2015), and subsequently in the lead up to the Spending Review 2015, the expectation given to the police was that further cuts in excess of 25% in real terms would be required over the life of the new parliament and as such all workforce planning had been based on those expectations.

However, due to an improvement in economic forecasts at the time, the Chancellor announced in the autumn statement on the 25th November 2015 that the funding settlement for police would be significantly better than previously expected, and the overall settlement for total police funding would be protected at cash levels, meaning that inflation would have to be absorbed.

In the provisional Police Grant Report on 17th December, Mike Penning, The Minister of State for Policing stated "For 2016/17 direct resource funding for each PCC, including precept, will be protected at flat cash levels, assuming that precept income is increased to the maximum amount available." Of course the decision on council tax increases was for PCCs to make, not the government.

This sudden change in funding settlement, against what had been previously expected, saw a decrease in central grants of 0.6% (instead of the previous assumption of 4.5%). The Medium Term Financial Plan was developed following the announcement of the improved police funding settlement for 2016/17, and also incorporated the decision, by the former PCC, to raise the precept by just under 2% following consultation with the public.

The Norfolk 2020 project, initiated prior to the Chancellor's statement is reviewing the current shape, scope and size of Norfolk Police and the model for the delivery of local policing. This analysis will be combined with findings from Evidence Based Policing research and developments with multi-agency services to form a new delivery model. The improved settlement from government did not change the need to continue with this review and implement a new fit-for-purpose and efficient policing model in Norfolk over the life of the MTFP.

The Constabulary continues to work with the PCC to develop sustainable plans and models of operational policing that will contribute to bridge the remaining modest budget gap over the medium-term. To continue with the progress of aligning budgets to demand, performance, outcomes and priorities, a programme is being developed using Outcome Based Budgeting (OBB). This approach will analyse the activity spending of the entire force, in terms of budgets, establishment, performance, demand and outcomes. This information will then be lined up against the priorities and demands of the PCC and the constabulary. This will allow projects to be developed to target areas that can be made more efficient, and those areas requiring more investment.

Other proactive strands that will feed into the new Change Programme include Evidenced Based Policing projects through the Better Policing Collaborative. There will also be further work on the Digital Strategy that will release savings through rationalisation of systems, and enable the modernisation of the force through investment in digital technology.

Opportunities to deliver additional savings through continued work with collaborative partners including Suffolk Constabulary and particularly in the eastern region through the Seven Force Strategic Collaboration Programme, as well as local partners such as other blue light services and local authorities in Norfolk, will continue.

All of these proactive elements, that use demand, performance and priority data will shape the new Change Programme and be captured in future Medium-Term Financial plans to support the continued transformation and modernisation of policing.

Given the above information and other financial assumptions, for example on inflation and precept setting, the Medium Term Financial Plan (MTFP) covering the four financial years 2016/2017 to 2019/2020 was approved by the PCC. It shows a recurring deficit of £5.5m by 2019/2020 and this deficit will be addressed by the proactive approach set out above.

The former Home Secretary (now Prime Minister) repeated her demand for greater efficiency and reform and continues to underline her view that the grant settlement has provided the police service with the resources it needs to deal with all the demand pressures. While the picture for medium-term funding for the police service as a whole looks much improved in comparison to last year, there are still uncertainties facing the global, European and UK economy as recovery from recession continues.

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

Further Information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This has been advertised in the local press. The PCC complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.

Further information may be obtained from the Chief Finance Officer, at The Office of the Police and Crime Commissioner for Norfolk, Building 8 Jubilee House, Falconers Chase, Wymondham, NR18 0WW.

Movement in Reserves Statement for the PCC for Norfolk Group

Year Ended 31 March 2015	General Fund Balance Restated £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves Restated £000	Total Unusable Reserves Restated £000	Total Reserves £000
Balance at 1 April 2014	**4,475**	**32,365**	-	**132**	**36,972**	**(1,309,572)**	**(1,272,600)**
Surplus or (deficit) on provision of services (accounting basis)	(54,288)	-	-	-	(54,288)	-	(54,288)
Other comprehensive income and expenditure	-	-	-	-	-	(167,642)	(167,642)
Total comprehensive income and expenditure	**(54,288)**	-	-	-	(54,288)	(167,642)	(221,930)
Amortisation of intangible assets	215	-	-	-	215	(215)	-
Depreciation on property, plant and equipment	4,820	-	-	-	4,820	(4,820)	-
Revaluation losses on property, plant and equipment	664	-	-	-	664	(664)	-
Capital grants and contributions credited to the CIES	(1,712)	-	-	1,712	-	-	-
Application of capital grants from unapplied account	-	-	-	(1,833)	(1,833)	1,833	-
Net gain or loss on the sale of non-current assets	(16)	-	335	-	319	(319)	-
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	(12)	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	70,760	-	-	-	70,760	(70,760)	-
Movement on the collection fund adjustment account	(865)	-	-	-	(865)	865	-
Capital expenditure charged to the General Fund Balance	(1,106)	-	-	-	(1,106)	1,106	-
Statutory provision for the repayment of debt	(1,555)	-	-	-	(1,555)	1,555	-
Contribution to the Police Pension Fund	(16,578)	-	-	-	(16,578)	16,578	-
Movement on the Compensated Absences Account	7	-	-	-	7	(7)	-
Use of capital receipts to fund asset purchases	-	-	(335)	-	(335)	335	-
Adjustments between accounting basis and funding basis under regulations	**54,645**	-	-	(121)	54,524	(54,524)	-
Net increase / decrease before transfers to Earmarked Reserves	**357**	-	-	(121)	236	(222,166)	(221,930)
Transfers to / from earmarked reserves	(357)	357	-	-	-	-	-
Increase / decrease in year	-	**357**	-	(121)	236	(222,166)	(221,930)
Balance at 31 March 2015	**4,475**	**32,722**	-	**11**	**37,208**	**(1,531,737)**	**(1,494,529)**

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Movement in Reserves Statement for the PCC for Norfolk Group

Year Ended 31 March 2016	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2015	**4,475**	**32,722**	-	11	**37,208**	**(1,531,737)**	**(1,494,529)**
Surplus or (deficit) on provision of services (accounting basis)	(47,585)	-	-	-	(47,585)	-	(47,585)
Other comprehensive income and expenditure	-	-	-	-	-	193,887	193,887
Total comprehensive income and expenditure	**(47,585)**	-	-	-	**(47,585)**	**193,887**	**146,302**
Amortisation of intangible assets	480	-	-	-	480	(480)	-
Depreciation on property, plant and equipment	4,940	-	-	-	4,940	(4,940)	-
Revaluation losses on property, plant and equipment	245	-	-	-	245	(245)	-
Capital grants and contributions credited to the CIES	(1,654)	-	-	-	(1,654)	1,654	-
Application of capital grants from unapplied account	-	-	-	(11)	(11)	11	-
Net gain or loss on the sale of non-current assets	16	-	513	-	529	(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	(12)	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	65,176	-	-	-	65,176	(65,176)	-
Movement on the collection fund adjustment account	152	-	-	-	152	(152)	-
Capital expenditure charged to the General Fund Balance	(3,558)	-	-	-	(3,558)	3,558	-
Statutory provision for the repayment of debt	(4,773)	-	-	-	(4,773)	4,773	-
Contribution to the Police Pension Fund	(21,844)	-	-	-	(21,844)	21,844	-
Movement on the Compensated Absences Account	211	-	-	-	211	(211)	-
Use of capital receipts to fund asset purchases	-	-	(513)	-	(513)	513	-
Adjustments between accounting basis and funding basis under regulations	**39,402**	-	-	(11)	**39,391**	**(39,391)**	-
Net increase / decrease before transfers to Earmarked Reserves	**(8,183)**	-	-	(11)	**(8,194)**	**154,495**	**146,301**
Transfers to / from earmarked reserves	8,183	(8,183)	-	-	-	-	-
Increase / decrease in year	-	**(8,183)**	-	(11)	**(8,194)**	**154,495**	**146,301**
Balance at 31 March 2016	**4,475**	**24,539**	-	-	**29,012**	**(1,377,242)**	**(1,348,228)**

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Movement in Reserves Statement for the PCC for Norfolk

Year Ended 31 March 2015	General Fund Balance Restated £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves Restated £000	Total Unusable Reserves Restated £000	Total Reserves £000
Balance at 1 April 2014	**4,475**	**32,365**	-	**132**	**36,972**	**(13,262)**	**23,710**
Surplus or (deficit) on provision of services (accounting basis)	(508)	-	-	-	(508)	-	(508)
Other comprehensive income and expenditure	-	-	-	-	-	4,274	4,274
Total comprehensive income and expenditure	**(508)**	-	-	-	**(508)**	**4,274**	**3,766**
Amortisation of intangible assets	215	-	-	-	215	(215)	-
Depreciation on property, plant and equipment	4,820	-	-	-	4,820	(4,820)	-
Revaluation losses on property, plant and equipment	664	-	-	-	664	(664)	-
Capital grants and contributions credited to the CIES	(1,712)	-	-	1,712	-	-	-
Application of capital grants from unapplied account	-	-	-	(1,833)	(1,833)	1,833	-
Net gain or loss on the sale of non-current assets	(16)	-	335	-	319	(319)	-
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	(12)	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	408	-	-	-	408	(408)	-
Movement on the collection fund adjustment account	(865)	-	-	-	(865)	865	-
Capital expenditure charged to the General Fund Balance	(1,106)	-	-	-	(1,106)	1,106	-
Statutory provision for the repayment of debt	(1,555)	-	-	-	(1,555)	1,555	-
Use of capital receipts to fund asset purchases	-	-	(335)	-	(335)	335	-
Adjustments between accounting basis and funding basis under regulations	**864**	-	-	(121)	**743**	**(743)**	-
Net increase / decrease before transfers to Earmarked Reserves	**357**	-	-	(121)	**236**	**3,531**	**3,766**
Transfers to / from earmarked reserves	(357)	357	-	-	-	-	-
Increase / decrease in year	-	**357**	-	(121)	**236**	**3,531**	**3,766**
Balance at 31 March 2015	**4,475**	**32,722**	-	**11**	**37,208**	**(9,733)**	**27,475**

Movement in Reserves Statement for the PCC for Norfolk

Year Ended 31 March 2016	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	**Total Unusable Reserves** £000	**Total Reserves** £000
Balance at 1 April 2015	4,475	32,722	-	11	37,208	(9,732)	27,476
Surplus or (deficit) on provision of services (accounting basis)	(4,241)	-	-	-	(4,241)	-	(4,241)
Other comprehensive income and expenditure	-	-	-	-	-	545	545
Total comprehensive income and expenditure	(4,241)	-	-	-	(4,241)	545	(3,696)
Amortisation of intangible assets	480	-	-	-	480	(480)	-
Depreciation on property, plant and equipment	4,940	-	-	-	4,940	(4,940)	-
Revaluation losses on property, plant and equipment	245	-	-	-	245	(245)	-
Capital grants and contributions credited to the CIES	(1,654)	-	-	-	(1,654)	1,654	-
Application of capital grants from unapplied account	-	-	-	(11)	(11)	11	-
Net gain or loss on the sale of non-current assets	16	-	513	-	529	(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	(12)	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	199	-	-	-	199	(199)	-
Movement on the collection fund adjustment account	152	-	-	-	152	(152)	-
Capital expenditure charged to the General Fund Balance	(3,558)	-	-	-	(3,558)	3,558	-
Statutory provision for the repayment of debt	(4,773)	-	-	-	(4,773)	4,773	-
Use of capital receipts to fund asset purchases	-	-	(513)	-	(513)	513	-
Adjustments between accounting basis and funding basis under regulations	(3,942)	-	-	(11)	(3,953)	3,953	-
Net increase / decrease before transfers to Earmarked Reserves	(8,183)	-	-	(11)	(8,194)	4,498	(3,696)
Transfers to / from earmarked reserves	8,183	(8,183)	-	-	-	-	-
Increase / decrease in year	-	(8,183)	-	(11)	(8,194)	4,498	(3,696)
Balance at 31 March 2016	4,475	24,539	-	-	29,014	(5,234)	23,780

Comprehensive Income and Expenditure Statement

for the PCC for Norfolk Group

for the year ended 31 March 2016

Gross Expenditure 2014/15 Restated £000	Income 2014/15 Restated £000	Net Expenditure 2014/15 Restated £000		Note	Gross Expenditure 2015/16 £000	Income 2015/16 £000	Net Expenditure 2015/16 £000
			Division of Service:				
78,089	(2,501)	75,588	Local Policing		77,528	(2,718)	74,810
12,409	(513)	11,896	Dealing with the Public		12,591	(477)	12,114
17,616	(5,285)	12,331	Criminal Justice Arrangements		18,034	(5,607)	12,427
10,566	(2,848)	7,718	Road Policing		5,862	(1,777)	4,086
5,014	(1,374)	3,640	Specialist Operations		8,480	(565)	7,915
5,939	(228)	5,711	Intelligence		[redacted]	[redacted]	8,577
34,043	(1,591)	32,452	Investigations		[redacted]	(1,776)	32,957
3,640	(105)	3,535	Investigative Support		[redacted]	[redacted]	4,506
6,211	(4,761)	1,450	National Policing		14,154	(13,561)	593
-	-	-	Non-distributed costs		523	-	523
2,108	(73)	2,035	Corporate and democratic core		1,384	(45)	1,339
1,829	(929)	900	PCC Commissioning		1,795	(981)	813
177,464	**(20,207)**	**157,257**	**Net Cost of Police Services**	7	**188,701**	**(28,042)**	**160,659**
			Other Operating Expenditure:				
-	(16,578)	(16,578)	Home Office contribution to police pensions	9	-	(21,844)	(21,844)
-	(16)	(16)	Loss/(profit) on disposal of fixed assets		34	-	34
-	**(16,594)**	**(16,594)**			**34**	**(21,844)**	**(21,811)**
			Financing and Investment Income and Expenditure:				
7,496	-	7,496	Interest payable and similar charges		7,172	-	7,172
57,136	-	57,136	Pensions interest cost and expected return on pensions assets	18	50,111	-	50,111
-	(275)	(275)	Interest and investment income		-	(265)	(265)
64,632	**(275)**	**64,357**			**57,283**	**(265)**	**57,018**
			Taxation and Non-specific Grant Income:				
-	(63,104)	(63,104)	General grants	9	-	(59,811)	(59,811)
-	(1,712)	(1,712)	Capital grants and contributions	9	-	(1,654)	(1,654)
-	(29,925)	(29,925)	Non-domestic rate redistribution	9	-	(28,939)	(28,939)
	(55,991)	(55,991)	Precepts	12		(57,877)	(57,877)
-	**(150,731)**	**(150,731)**			**-**	**(148,282)**	**(148,282)**
		54,288	**Deficit/(Surplus) on the Provision of Services**				**47,585**
			Other Comprehensive Income and Expenditure:				
		(4,489)	(Surplus) / deficit on the revaluation of assets	14			(194)
		172,131	Remeasurements of the net defined benefit liability (asset)	18			(193,693)
		167,642					**(193,887)**
		221,930	**Total Comprehensive Income and Expenditure**				**(146,302)**

Comprehensive Income and Expenditure Statement

for the PCC for Norfolk

for the year ended 31 March 2016

Gross Expenditure 2014/15 Restated £000	Income 2014/15 Restated £000	Net Expenditure 2014/15 Restated £000		Note	Gross Expenditure 2015/16 £000	Income 2015/16 £000	Net Expenditure 2015/16 £000
			Division of Service:				
3,531	(1,593)	1,938	Local Policing		3,795	(1,626)	2,169
648	(296)	352	Dealing with the Public		612	(301)	311
768	(3,813)	(3,045)	Criminal Justice Arrangements		881	(3,815)	(2,934)
355	(87)	268	Road Policing		267	(86)	181
135	(128)	7	Specialist Operations		305	(133)	172
263	(139)	124	Intelligence		313	(143)	170
1,337	(662)	675	Investigations		1,451	(678)	774
133	(79)	54	Investigative Support		179	(81)	98
236	(90)	146	National Policing		5,014	(4,876)	138
-	-	-	Non-distributed costs		-	-	-
1,856	(74)	1,782	Corporate and democratic core		1,384	(45)	1,339
1,829	(929)	900	PCC commissioning		1,795	(981)	813
11,091	**(7,889)**	**3,202**	**Net Cost of Police Services before group funding**	7	**15,997**	**(12,767)**	**3,230**
157,396	-	157,396	Intra-group funding	5	164,173	-	164,173
168,487	**(7,889)**	**160,599**	**Net Cost of Policing Services**		**180,170**	**(12,767)**	**167,403**
			Other Operating Expenditure:				
-	(16,578)	(16,578)	Home Office contribution to police pensions	9	-	(21,844)	(21,844)
-	(16)	(16)	Loss/(profit) on disposal of fixed assets		34	-	34
-	**(16,594)**	**(16,594)**			**34**	**(21,844)**	**(21,811)**
			Financing and Investment Income and Expenditure:				
7,496	-	7,496	Interest payable and similar charges		7,172	-	7,172
15	-	15	Pensions interest cost and expected return on pensions assets	18	23	-	23
-	(275)	(275)	Interest and investment income		-	(265)	(265)
7,510	**(275)**	**7,235**			**7,195**	**(265)**	**6,930**
			Taxation and Non-specific Grant Income:				
-	(63,104)	(63,104)	General grants	9	-	(59,811)	(59,811)
-	(1,712)	(1,712)	Capital grants and contributions	9	-	(1,654)	(1,654)
-	(29,925)	(29,925)	Non-domestic rate redistribution	9	-	(28,939)	(28,939)
-	(55,991)	(55,991)	Precepts	12	-	(57,877)	(57,877)
-	**(150,731)**	**(150,731)**			**-**	**(148,282)**	**(148,282)**
		508	**Deficit/(Surplus) on the Provision of Services**				**4,241**
			Other Comprehensive Income and Expenditure:				
		(4,489)	(Surplus) / deficit on the revaluation of assets	14			(194)
		214	Remeasurements of the net defined benefit liability (asset)	18			(351)
		(4,275)					**(545)**
		(3,768)	**Total Comprehensive Income and Expenditure**				**3,696**

Balance Sheet for the PCC for Norfolk Group

as at 31 March 2016

31 March 2015 £000		Notes	31 March 2016 £000
78,249	Property, plant and equipment	14	75,016
396	Intangible assets	14	3,598
78,644	**Non-Current Assets**		78,614
-	**Long Term Debtors**		-
78,644	**Total Long term Assets**		78,614
241	Inventories		447
11,224	Short term debtors and prepayments	20	14,460
12,997	Cash and cash equivalents	21	8,409
20,128	Short term investments	19	21,117
409	Assets held for sale	22	176
44,999	**Current Assets**		44,608
123,643	**TOTAL ASSETS**		**123,222**
16,978	Short-term creditors and accruals	23	16,434
156	Short Term Borrowing	33	6,001
607	Provisions	25	1,115
808	PFI Liabilities	17	908
18,549	**Current Liabilities**		24,457
1,522,147	Other long term liabilities	18	1,371,786
128	Provisions	25	-
13,785	Long term borrowing	33	12,840
63,563	PFI Liabilities	17	62,365
1,599,623	**Long Term Liabilities**		1,446,992
1,618,172	**TOTAL LIABILITIES**		**1,471,448**
(1,494,529)	**NET ASSETS / (LIABILITIES)**		**(1,348,226)**
37,207	Usable reserves	27	29,014
(1,531,737)	Unusable reserves	29	(1,377,240)
(1,494,529)	**TOTAL RESERVES**		**(1,348,226)**

These financial statements replace the unaudited financial statements certified by John Hummersone on 30 June 2016

J Hummersone FCPFA, PCC – CFO

Balance Sheet for the PCC for Norfolk

as at 31 March 2016

31 March 2015 £000		Notes	31 March 2016 £000
78,248	Property, plant and equipment	14	75,016
396	Intangible assets	14	3,598
78,644	**Non-Current Assets**		78,614
241	Inventories		447
11,224	Short term debtors and prepayments	20	14,460
12,997	Cash and cash equivalents	21	8,409
20,128	Short term investments	19	21,117
409	Assets held for sale	22	176
44,999	**Current Assets**		44,609
123,643	**TOTAL ASSETS**		**123,223**
16,498	Short-term creditors and accruals	23	15,742
156	Short Term Borrowing	33	6,001
607	Provisions	25	1,115
808	PFI Liabilities	17	908
18,069	**Current Liabilities**		23,766
624	Other long term liabilities	18	472
128	Provisions	25	-
13,785	Long term borrowing	33	12,840
63,563	PFI Liabilities	17	62,365
78,099	**Long Term Liabilities**		75,677
96,169	**TOTAL LIABILITIES**		**99,443**
27,474	**NET ASSETS / (LIABILITIES)**		**23,780**
37,208	Usable reserves	27	29,014
(9,733)	Unusable reserves	29	(5,234)
27,475	**TOTAL RESERVES**		**23,780**

These financial statements replace the unaudited financial statements certified by John Hummersone on 30 June 2016

J Hummersone FCPFA, PCC – CFO

Cash-flow Statement for the PCC for Norfolk Group

for the year ended 31 March 2016

2014/15 £000 Restated		Note	2015/16 £000
(54,288)	**Net Surplus/(deficit) on the provision of services**	**Page 20**	**(47,585)**
61,510	Adjustment for non cash or cash equivalent movements	32	45,808
	Adjustment for items included in net deficit on the provision		
-	of services that are investing or financing activities:		-
-	Capital grants and contributions	31	(1,654)
7,222	**Net cash flows from operating activities**		(3,431)
(7,703)	Investing activities	31	(6,533)
(741)	Financing activities	31	5,376
(1,222)	**Net increase or (decrease) in cash and cash equivalents**	**30**	**(4,589)**
14,219	Cash and cash equivalents at the beginning of the reporting period	21	12,997
12,997	**Cash and cash equivalents at the end of the reporting period**	**21**	**8,409**

Cash-flow Statement for the PCC for Norfolk

for the year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
(508)	**Net Surplus/(deficit) on the provision of services**	**Page 21**	**(4,241)**
7,730	Adjustment for non cash or cash equivalent movements	**32**	2,464
	Adjustment for items included in net deficit on the provision		
-	of services that are investing or financing activities:		-
-	Capital grants and contributions	**31**	(1,654)
7,222	**Net cash flows from operating activities**		(3,431)
(7,703)	Investing activities	**31**	(6,533)
(741)	Financing activities	**31**	5,376
(1,222)	**Net increase or (decrease) in cash and cash equivalents**	**30**	**(4,588)**
14,219	Cash and cash equivalents at the beginning of the reporting period	**21**	12,997
12,997	**Cash and cash equivalents at the end of the reporting period**	**21**	**8,409**

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 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 (COP) and the Service Reporting Code of Practice 2015/16 (SeRCoP), 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

The PCC pays for all expenditure including salaries of police officers, police community support officers and police staff. There is no transfer of real cash between the PCC and Chief Constable and the latter does not have a bank account into which monies can be received or paid from. Operational costs and incomes are recognised in the Chief Constable's Accounts to reflect the PCC's resources consumed in the direction and control of day-to-day policing at the request of the Chief Constable. The Chief Constable also recognises the employment and post-employment costs and liabilities in his Accounts. To fund these costs the Chief Constable's Accounts show a funding guarantee provided by the Commissioner to the Chief Constable as income, although no real cash changes hands. This treatment forms the basis of the intra-group adjustment between the Accounts of the Commissioner and Chief Constable.

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 CC 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 and certain payroll balances, a de-minimis level of £1,000 is set for year-end accruals.

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

Services and Support Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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 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.

Employee benefits

<u>Benefits payable during employment</u>

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement, time off in lieu and flexi time earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave or similar balances into the following period. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which the employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit.

<u>Post-employment benefits</u>

Officers have the option of joining the Police Pension Scheme 2015. Civilian employees have the option of joining the Local Government Pensions 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 benefits schemes.

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

Liabilities are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is based on the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

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, 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 disclosed on a straight-line basis over the period in which the increase in benefit vests, and are debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs.
- 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 three 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 and accounted for.

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 Group 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 Group 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.

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 relevant service line 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 relevant service line 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.

Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. Supplies from inventories are charged to the relevant service line in the CIES using an average cost formula.

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 as a minimum, the following Fitch, Standard and Poors and Moody's credit ratings:

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 AAA and as a minimum, the following Fitch, Standard and Poors and Moody's credit ratings:

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 plc)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds;
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2015/16 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 CC 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 CC 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.

<u>The PCC as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down

the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

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

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds 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 Other Operating Expenditure 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.

Overheads and support services

The costs of overheads and support services are charged to service lines that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCoP). Costs are attributed to service lines either directly or using an appropriate cost driver with the exception of:

- Corporate and Democratic Core – costs relating to the PCC's status as a multi-functional, democratic organisation.
- Non Distributed Costs – costs relating to retirement benefits and unused and unusable shares of assets.

These two cost categories are defined in SeRCoP and accounted for as separate headings in the CIES, as part of the Net Cost of Policing Services.

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 has use of the assets for the substantial part of their useful lives, 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.

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.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the 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 relevant service lines 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

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

Capital Adjustment Account

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

Pension Reserve

The 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 CC 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 CC 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).

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 2015/16 (COP), the COP is based on International Financial Reporting Standards (IFRSs).

In 2016/2017 adoption of the amendments to the following may be required to be reported;

- IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs (2010 to 2012 cycle).
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2012 to 2014 cycle).
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Fund Account and the Net Assets Statement
- IFRS 13 Fair Value Measurement

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2016, and these IFRSs will be initially adopted as at 1 April 2016. The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. It is not expected that the adoption of these standards will have a material effect on the financial statements.

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 2016/2017 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, that has been set out in the Narrative Statement to these accounts, is a judgement as a result of greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance.
- 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 Norfolk PCC 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 CC have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the CC 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 in 2015/16 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 £167.9m.

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	£13.0m
Property	£49.7m

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 Statement.

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.

6. Service Expenditure Analysis

The principal functions included within the Net Cost of Service line in the Group's financial statements relate to the day to day costs of administering and supporting the PCC's office as well as working directly with local communities and the public. The Net Cost of Service line also includes the financial resources of the Group under the direction and control of the Chief Constable through operational policing, and is included in the CIES as follows:

Local policing
Neighbourhood policing
Incident (response) management
Specialist community liaison
Local command team and support overheads

Dealing with the public
Dealing with the public command team and support overheads
Local call centres/front desk
Central communications unit
Contact management units

Road policing
Roads Policing command team and support overheads
Traffic units
Traffic wardens/PCSOs - Traffic
Vehicle recovery
Casualty reduction partnership

Specialist operations
Central Operations command team and support overheads
Air operations
Dogs section
Level 1 advanced public order
Firearms unit
Civil contingencies

Intelligence
Central Intelligence command team and support overheads
Intelligence/threat assessments
Intelligence gathering

Criminal justice arrangements
Criminal Justice Arrangements command team and support overheads
Custody
Criminal justice
Police National Computer (PNC)
Disclosure and Barring Service (DBS)
Coroner assistance
Fixed penalty scheme (central ticket office)
Property officer/stores

Investigations
Crime Support command team and support overheads
Major investigation unit
Economic crime (including regional asset recovery team)
Investigations
Serious and organised crime unit
Public protection

Investigative support
Investigative Support command team and support overheads
Scenes of crime officers
External forensic costs
Fingerprint/Internal forensic costs
Photographic image recovery
Other forensic services

National policing
Secondments (out of force)
Counter-terrorism/Special Branch
NPCC projects/initiatives

Please note that business support function costs are absorbed into the above operational functions.

Corporate and Democratic Core costs relate to the democratic representation, management, administration and governance functions of the PCC's office, the amount also includes officer time spent on advising the PCC and public consultation.

Non Distributed costs are costs that cannot be allocated to current operational functions. Examples are impairments of non-operational property such as police houses and past service pension costs.

PCC Commissioning is not a separately defined category within the Service Reporting Code of Practice, however the related income and expenditure has been shown separately within the Net Cost of Police Services in the CIES for enhanced transparency.

7. Amounts Reported for Resource Allocation Decisions

	Total Chief Constable	PCC's Office	Not reported to management			Amount not included in CIES			Total Group
			PCC	CC	total	PCC	CC	total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Reported to Chief Officers in 2015/16									
Fees charges and other income	(5,639)	(17)	(199)	199	-	-	265	265	(5,391)
Government grants	(15,097)	(5,794)	(6,757)	6,757	-	-	-	-	(20,891)
Total Service Income	**(20,736)**	**(5,811)**	**(6,956)**	**6,956**	**-**	**-**	**265**	**265**	**(26,282)**
Employee expenses	129,445	817	206	36,694	36,900	(104)	(21,520)	(21,624)	145,538
Other service expenses	28,958	6,728	2,378	(61)	2,317	-	(2,572)	(2,572)	35,431
Depreciation, impairments & capital	10,362	-	5,971	-	5,971	-	(10,362)	(10,362)	5,971
Contingencies & appropriations	(1,708)	(1,275)	-	-	-	1,275	1,708	2,983	-
Total Service Expenditure	**167,056**	**6,271**	**8,555**	**36,633**	**45,189**	**1,171**	**(32,745)**	**(31,574)**	**186,941**
Net Cost of Police Services	**146,320**	**460**	**1,600**	**43,589**	**45,189**	**1,171**	**(32,481)**	**(31,310)**	**160,659**
Reported to Chief Officers in 2014/15									
Fees charges and other income	(7,333)	(3)	-		-	275		275	(7,061)
Government grants	(11,815)	(986)	-	-	-	3,309		3,309	(9,492)
Other Grants and Contributions	(337)	(8)	-	-	-	-	-	-	(345)
Total Income	**(19,485)**	**(997)**	**-**	**-**	**-**	**3,584**	**-**	**3,584**	**(16,898)**
Employee expenses	128,038	751	393	13,237	13,630			-	142,419
Other service expenses	37,244	2,247			-	(10,502)	-	(10,502)	28,989
Depreciation and impairments	-	-	5,700		5,700		-	-	5,700
Gains & Losses on Disposal of PPE	-	-		-	-		-	-	-
Total Operating Expenditure	**165,282**	**2,998**	**6,093**	**13,237**	**19,330**	**(10,502)**	**-**	**(10,502)**	**177,108**
Transfers To/ (From) Reserves	-	356			-			-	356
Net Operating Expenditure	**145,797**	**2,357**	**6,093**	**13,237**	**19,330**	**(6,918)**	**-**	**(6,918)**	**160,566**

The analysis of income and expenditure in the CIES is specified by the Service Reporting Code of Practice. However, decisions about resource allocation were taken by Cabinet (chief officers and heads of department) on the basis of budget reports analysed across directorates and are prepared on a different basis. For example retirement benefits are shown in the budget reports based on employer contributions whereas in the CIES pension costs are based on current service costs of benefits accrued during the year. The income and expenditure of the principal directorates recorded in the budget reports are shown in the table above.

8. 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 2008 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 2015/16 was £4,773k (2014/15 - £1,555k). This included £2,250k in respect of back funding MRP balances and £780k relating to the early settlement of transferred debt.

9. Government Grants

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

	Amount receivable for 15/16 £000	Amount receivable for 14/15 £000 Restated
Credited to Taxation and Non Specific Grant Income		
General police grant	50,507	53,799
Council Tax support Grant	7,877	7,877
Council tax freeze grant	1,428	1,428
Capital grants and contributions	1,654	1,712
Non-domestic rate redistribution	28,939	29,925
Precepts	57,877	55,991
	148,282	**150,731**
Credited to Other Operating Expenditure		
Home Office contribution to police pensions	21,844	16,578
	21,844	**16,578**
Credited to Services		
Police incentivisation	111	134
Police community support officers	-	-
Counter terrorism	106	4,151
Basic command unit	-	-
PFI grants (OCC and PICs)	6,757	6,757
Other specific grants	13,917	1,943
	20,891	**12,985**

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

	Amount receivable for 15/16 £000	Amount receivable for 14/15 £000 Restated
Credited to Taxation and Non Specific Grant Income		
General police grant	50,507	53,799
Council Tax support Grant	7,877	7,877
Council tax freeze grant	1,428	1,428
Capital grants and contributions	1,654	1,712
Non-domestic rate redistribution	28,939	29,925
Precepts	57,877	55,991
	148,282	**150,731**
Credited to Other Operating Expenditure		
Home Office contribution to police pensions	21,844	16,578
	21,844	**16,578**
Credited to Services		
Police incentivisation	-	-
Police community support officers	-	-
Counter terrorism	-	-
Basic command unit	-	-
PFI grant	6,757	6,757
Other specific grants	13,698	1,035
	20,455	**7,792**

Other specific grants credited to services include £2.8m Victims of Sexual Abuse Support Fund, £2.0m Child Abuse Inquiry Support Fund, £1.8m Operation Hydrant, £4.0m Protective Security Grant, £1.1m Child Sexual Exploitation Grant and £1.0m Ministry of Justice Grant.

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10. Employees' Remuneration

The numbers of employees and police officers whose remuneration exceeded £50k in 2015/16 were as follows:

	GROUP 2015/16	GROUP 2014/15	OPCC 2015/16	OPCC 2014/15
Remuneration				
£50,000 - £54,999	6	5	-	-
£55,000 - £59,999	5	6	1	1
£60,000 - £64,999	-	1	-	-
£65,000 - £69,999	1	1	1	-
£70,000 - £74,999	1	1	-	1
£75,000 - £79,999	1	2	-	-
£80,000 - £84,999	3	4	-	0.6
£85,000 - £89,999	4	1	1	1
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	2	1	0.34	-
£100,000 - £104,999	-	2	-	-
£105,000 - £109,999	1	-	-	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	1	-	-	-
£120,000 - £124,999	-	1	-	-
£145,000 - £149,999	-	1	-	-
£150,000 - £154,999	1	-	-	-
£175,000 - £179,999	-	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 0.34 FTE relates to the CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.34 relates to the PCC share of the FTE based on salary paid.

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 £000	Termination Payments £000	Bonuses £000	Employers Pension Contributions £000	Benefits in Kind Estimates £000	Expenses £000	Total £000
2015/16							
Position held							
Chief Constable - Simon Bailey	152	-	-	36	[redacted]	2	193
Deputy Chief Constable	119	-	-	28		2	155
Assistant Chief Constable	107	-	-	25		-	136
Temporary Assistant Chief Constable (23 Jun 2014 to 3 Jan 2016)	79	-	-	18		-	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
2014/15							
Position held							
Chief Constable - S Bailey	144	-	-	33	4	2	183
Deputy Chief Constable	118	-	-	28	6	1	153
Assistant Chief Constable (1)	102	-	-	24	5	-	131
Assistant Chief Constable (2) (Transferred 18 Jul 2014)	33	-	-	7	1	-	41
Assistant Chief Constable (3)	95	-	-	21	3	-	119
Assistant Chief Officer - Resources	107	93	-	-	-	6	206
CFO (CC) - 0.4 FTE	34	-	-	-	-	-	34
Police and Crime Commissioner	70	-	-	13	-	-	83
Deputy Police and Crime Commissioner	57	-	-	10	-	-	67
Chief Executive (PCC)	85	-	-	15	-	1	101
CFO (PCC) - 0.6 FTE	48	-	-	0	-	-	48

A chief officer from Norfolk acted as Assistant Chief Constable in a joint capacity for Norfolk and Suffolk Constabularies; a contribution of £63.1k was paid by 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 2015/16	Number of Compulsory Redundancies 2014/15	Number of Other Agreed Departures 2015/16	Number of Other Agreed Departures 2014/15	Total Number of Exit Packages 2015/16	Total Number of Exit Packages 2014/15	Total Value of Exit Packages 2015/16 £000	Total Value of Exit Packages 2014/15 £000
£0 - £20,000	33	25	-	-	33	25	295	251
£20,001 - £40,000	8	6	-	-	8	6	189	171
£40,001 - £60,000	2	2	-	1	2	3	89	141
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	1	-	-	-	1	-	93
	43	34	-	1	43	35	573	656

11. 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 2015/16 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 10 of these financial statements. [redacted]

[redacted]

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 9 of these financial statements.

[redacted]

[redacted]

12. Council Tax

The Norfolk district and borough councils are required to collect the amount of council tax determined by the PCC for policing the county. In 2015/16 the precept, including the estimated 2014/15 collection fund surplus/(deficit) was paid to the PCC during the year and amounted to £58.0m 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:

2014/15 £000		Received from Billing Authority £000	surplus/(deficit) on Collection Fund at 31.3.15 £000	31.3.16 £000	Total 2015/16 £000
8,173	Breckland	8,519	628	573	8,463
8,784	Broadland	9,016	72	131	9,075
9,773	Kings Lynn & West Norfolk	10,155	120	74	10,109
6,996	Norwich	7,254	568	573	7,260
5,374	Great Yarmouth	5,558	84	65	5,539
7,717	North Norfolk	7,929	224	282	7,987
9,174	South Norfolk	9,598	310	156	9,445
55,991		**58,029**	**2,006**	**1,854**	**57,877**

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

Balance at 31.3.15 £000		Collection Fund £000	Net £000	Arrears repayments £000	Balance at 31.3.16 £000
(454)	Breckland	(573)	231	(105)	(447)
(82)	Broadland	(131)	84	(114)	(161)
120	Kings Lynn & West Norfolk	(74)	354	(156)	124
(530)	Norwich	(573)	265	(209)	(518)
97	Great Yarmouth	(65)	327	(132)	130
(173)	North Norfolk	(282)	175	(151)	(259)
(242)	South Norfolk	(156)	143	(86)	(98)
(1,264)		**(1,854)**	**1,579**	**(954)**	**(1,230)**

13. External Audit Fees

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

2014/15 £000		2015/16 £000
	The Group has incurred the following costs in relation to the audit of the Statement of Accounts	
45	The PCC for Norfolk	38
20	The Chief Constable of Norfolk	15
65		**53**

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

The 2015/2016 audit fees include an amount of £3.8k, attributable to the PCC, in respect of 2014/2015 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.

14. Non-Current Assets

Movements in 2015-16	Land and buildings £000	Vehicles plant and equipment £000	Assets under construction £000	Surplus Assets £000	Total £000
Property, Plant & Equipment					
Historic cost or revaluation					
Balance at 1.4.15	67,575	25,506	4,350	-	97,432
Reclassifications	(182)	1,472	(4,215)	-	(2,924)
Restatements	-	-	-	-	-
Additions	780	3,506	500	-	4,785
Derecognition - disposals	-	(612)	-	-	(612)
Derecognition - other	-	-	-	-	-
Net revaluation gains/losses recognised in the CIES	(932)	-	-	-	(932)
Net revaluation gains/losses recognised in the Revaluation reserve	194	-	-	-	194
Balance at 31.3.16	**67,435**	**29,873**	**635**	-	**97,943**
Depreciation and impairments					
Balance at 1.4.15	3,565	15,618	-	-	19,183
Reclassifications	(6)	4	(15)	-	(17)
Revaluations	(687)	-	-	-	(687)
Impairments	-				-
Derecognition - disposals	-	(492)	-	-	(492)
Derecognition - other					
Depreciation for the year	1,838	3,087	15	-	4,939
Balance at 31.3.16	**4,711**	**18,217**	-	-	**22,927**
Net book value at 31.3.15	64,010	9,888	4,350	-	78,248
Net book value at 31.3.16	**62,724**	**11,656**	**635**	-	**75,016**

	Software Licences £000
Purchased intangible assets	
Historic cost or revaluation	
Balance at 1.4.15	1,475
Reclassifications	2,742
Additions	951
Derecognition - disposals	-
Balance at 31.3.16	**5,168**
Amortisation	
Balance at 1.4.15	1,080
Amortisation for the year	480
Reclassifications	11
Derecognition - disposals	-
Balance at 31.3.16	**1,570**
Net book value at 31.3.15	396
Net book value at 31.3.16	**3,598**

Movements in 2014-15	Land and buildings £000	Vehicles plant and equipment £000	Assets under construction £000	Surplus Assets £000	Total £000
Property, Plant & Equipment					
Historic cost or revaluation					
Balance at 1.4.14	69,424	25,595	1,560	415	96,993
Reclassifications	20	-	(20)	(415)	(415)
Restatements	-	-	-		-
Additions	121	2,987	2,812		5,920
Derecognition - disposals	(22)	(3,042)	-		(3,064)
Derecognition - other	(2)	(33)	(2)		(37)
Net revaluation gains/losses recognised in the CIES	(286)	-	-		(286)
Net revaluation gains/losses recognised in the Revaluation reserve	(1,680)	-	-		(1,680)
Balance at 31.3.15	**67,575**	**25,506**	**4,350**	**-**	**97,432**
Depreciation and impairments					
Balance at 1.4.14	8,319	14,955	-	2	23,275
Reclassifications	-	-	-	(6)	(6)
Revaluations	(3,405)	-	-		(3,405)
Impairments	(3,016)	2			(3,014)
Derecognition - disposals	(1)	(2,836)	-		(2,837)
Derecognition - other					-
Depreciation for the year	1,668	3,497	-	4	5,169
Balance at 31.3.15	**3,566**	**15,618**	**-**	**-**	**19,183**
Net book value at 31.3.14	61,105	10,640	1,560	413	73,718
Net book value at 31.3.15	**64,010**	**9,888**	**4,350**	**-**	**78,248**

	Software Licences £000
Purchased intangible assets	
Historic cost or revaluation	
Balance at 1.4.14	1,377
Reclassifications	-
Restatements	-
Additions	106
Derecognition - disposals	(9)
Balance at 31.3.15	**1,474**
Amortisation	
Balance at 1.4.14	863
Amortisation for the year	215
Derecognition - disposals	-
Balance at 31.3.15	**1,078**
Net book value at 31.3.14	514
Net book value at 31.3.15	**396**

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on land and buildings (£455k), IT assets (£141k) and intangible assets (£39k).

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 £0.48m. 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 £330k, net of revaluation loss.

The depreciation and amortisation policy is set out on page 34. Assets have been depreciated on a straight-line basis over their economic useful lives.

15. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2015/16 are set out below.

2014/15 £000		2015/16 £000
89,023	Opening capital financing requirement	90,220
	Capital investment	
106	Intangible fixed assets	951
3,108	Operational assets	4,286
2,812	Non operational assets	500
	Sources of finance	
(335)	Capital receipts	(513)
(1,833)	Government grants and other contributions	(1,665)
(1,106)	Direct Revenue Contributions	(3,558)
(1,399)	Revenue provision including MRP	(3,993)
	Other Adjustments	
(156)	Transferred Debt Repayment	(780)
90,220	**Closing capital financing requirement**	**85,446**
	Explanation of movements in year	
1,197	Increase/(decrease) in underlying need to borrow	(4,773)
1,197	**Increase/(decrease) in capital financing requirement**	**(4,773)**

Included in the "Revenue provision including MRP" figure of £3,993k above are amounts of £2,250k in respect of the back funding of short life assets previously being funded over their useful lives.

16. 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
Carried at historical cost	660	11,656	635	-	12,951
Valued at fair value at:					
2015	5,813				5,813
2014	26,944				26,944
2013	3,269				3,269
2012	20,988				20,988
2011	5,051				5,051
Balance at 31.3.15	**62,724**	**11,656**	**635**	**-**	**75,016**

17. 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 CC accounts for the services element during 2015/16 was £1.248m (£1.336m in 2014/15). Payments remaining to be made under the PFI contract for services at 31 March 2016 (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 2016/17	1,444	360	3,027	-	4,832
Payable within two to five years	6,146	1,907	11,643	-	19,697
Payable within six to ten years	8,521	3,913	13,025	-	25,459
Payable within eleven to fifteen years	8,637	6,752	10,186	-	25,575
Payable within sixteen to twenty years	9,772	11,651	5,287	-	26,710
Payable within twenty one to twenty five years	1,394	1,678	129	-	3,201
Payable within twenty six to thirty years	-	-	-	-	-
	35,914	**26,262**	**43,298**	-	**105,474**

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 CC accounts is for the net services element which during 2015/2016 amounted to £0.987m million (£0.920m in 2014/2015). This figure includes a credit received from Cambridgeshire Police of £0.499m 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 Contract Value £000	Cost in Norfolk 31.3.16 £000	Cost in Norfolk 31.3.15 £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
	77	**61**	**8**	**64,427**	**28,859**	**28,859**

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 2016 (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 2016/17	1,516	547	2,761	384	5,208
Payable within two to five years	7,781	2,630	10,603	308	21,321
Payable within six to ten years	10,447	4,552	11,988	855	27,842
Payable within eleven to fifteen years	12,927	6,523	10,017	(141)	29,327
Payable within sixteen to twenty years	15,123	9,347	7,194	(656)	31,007
Payable within twenty one to twenty five years	15,608	13,412	3,128	185	32,333
Payable within twenty six to thirty years	-	-	-	-	-
	63,401	**37,011**	**45,691**	**935**	**147,037**

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:

	2015/16 £000	2014/15 £000
PFI - OCC		
Balance outstanding at the beginning of the year	37,520	37,994
Capital repayments during the year	(509)	(474)
Balance outstanding at year end	**37,011**	**37,520**
PFI - PICs		
Balance outstanding at the beginning of the year	26,851	27,117
Capital repayments during the year	(589)	(266)
Balance outstanding at year end	**26,262**	**26,851**
[illegible]	63,273	64,371
Made up as follows:		
Due in less than one year	908	808
Due in more than one year	62,365	63,563
	63,273	64,371

83.

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

	2015/16 £000	2014/15 £000
Net book value at the beginning of the year	40,894	39,669
Additions	-	-
Revaluations during the year	(86)	2,415
Depreciation during the year	(1,549)	(1,190)
Net book value at the end of the year	**39,258**	**40,894**

18. 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 scheme 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.

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:

	LGPS		Police Schemes	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000 Restated
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs	8,676	6,932	27,490	28,140
Past service Costs	483	263	40	50
(Gain)/loss from settlement	-	16	-	-
Financing and investment income and expenditure				
Net Interest Expense	2,221	1,946	47,890	55,190
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service	**11,380**	**9,157**	**75,420**	**83,380**
Other post employment benefit charged to the CIES				
Return on plan assets (excluding the amount included in the net interest expense)	1,205	(12,841)	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(22,310)	(61,150)
- Actuarial gains/losses arising from changes in financial assumptions	(25,306)	33,593	(132,780)	225,530
- Other	(2,233)	(1,258)	(12,269)	(11,743)
Total post employment benefit charged to the CIES	**(14,954)**	**28,651**	**(91,939)**	**236,017**
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**14,954**	**(28,651)**	**91,939**	**(236,017)**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	6,247	5,798	-	-
Retirement benefits payable to pensioners	-	-	37,221	32,557
Net charge to the General Fund	**6,247**	**5,798**	**37,221**	**32,557**

PCC:

	LGPS 2015/16 £000	2014/15 £000	Police Schemes 2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs	210	121	-	-
Past service Costs	-	37	-	-
(Gain)/loss from settlement	-	345	-	-
Financing and investment income and expenditure				
Net Interest Expense	23	15	-	-
Total Post Employment Benefit Charges to the Surplus c Deficit on the Provision of Service	**233**	**518**	-	-
Other post employment benefit charged to the CIES				
Return on plan assets (excluding the amount included in the net interest expense)	8	(70)	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(294)	286	-	-
- Other	(65)	(1)	-	-
Total post employment benefit charged to the CIES	**(118)**	**733**	-	-
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**118**	**(733)**	-	-
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	34	110	-	-
Retirement benefits payable to pensioners	-	-	-	-
Net charge to the General Fund	**34**	**110**	-	-

Assets and liabilities in relation to retirement benefits

Group:

	Local Government Pension Scheme 2015/16	2014/15	Police Pension Schemes 2015/16	2014/15
Present value of liabilities	(212,967)	(225,740)	(1,325,000)	(1,454,160)
Fair value of plan assets	166,181	157,753	-	-
Total Net liabilities	**(46,786)**	**(67,987)**	**(1,325,000)**	**(1,454,160)**

PCC:

	Local Government Pension Scheme 2015/16	2014/15	Police Pension Schemes 2015/16	2014/15
Present value of liabilities	(1,577)	(1,563)	-	-
Fair value of plan assets	1,106	940	-	-
Total Net liabilities	**(471)**	**(623)**	**-**	**-**

Reconciliation of present value of the scheme liabilities

Group:

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000
Opening Balance at 1 April	225,740	180,692	1,454,160	1,250,700
Current service cost	8,676	6,932	27,490	28,140
Interest cost	7,340	7,778	47,890	55,190
Contributions by scheme participants	2,045	2,039	8,260	7,570
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(22,310)	(61,150)
- Actuarial gains/losses arising from changes in financial assumptions	(25,306)	33,593	(132,780)	225,530
- Other	(2,102)	(1,258)	(12,120)	(11,500)
Past service costs	483	263	40	50
Losses/(gains) on curtailment	-	-	-	-
Benefits Paid	(3,909)	(4,315)	(45,630)	(40,370)
Effects of settlements	-	16	-	-
Closing Balance at 31 March	**212,967**	**225,740**	**1,325,000**	**1,454,160**

PCC:

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000
Opening Balance at 1 April	1,563	-	-	-
Current service cost	210	121	-	-
Interest cost	56	48	-	-
Contributions by scheme participants	43	39	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(294)	286	-	-
- Other	(1)	(1)	-	-
Past service costs	-	37	-	-
Losses/(gains) on curtailment	-	-	-	-
Benefits Paid	-	-	-	-
Effects of settlements	-	1,033	-	-
Closing Balance at 31 March	**1,577**	**1,563**	-	-

Reconciliation of fair value of the scheme assets
Group:

	Funded Assets Local Government Pension Scheme 2015/16 £000	2014/15 £000	Unfunded Assets Police Pension Schemes 2015/16 £000	2014/15 £000 Restated
Opening fair value of scheme assets	157,753	135,558	-	-
Interest Income	5,119	5,832	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	(1,205)	12,841	-	-
Other	131	-	149	243
The effect of changes in foreign exchange rates				
Contributions from employer	6,247	5,798	37,221	32,557
Contributions from employees into the scheme	2,045	2,039	8,260	7,570
Benefits paid	(3,909)	(4,315)	(45,630)	(40,370)
Effects of settlements	-	-	-	-
Closing fair value of Scheme Assets	**166,181**	**157,753**	**-**	**-**

PCC:

	Funded Assets Local Government Pension Scheme 2015/16 £000	2014/15 £000	Unfunded Assets Police Pension Schemes 2015/16 £000	2014/15 £000
Opening fair value of scheme assets	940	-	-	-
Interest Income	33	33	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	(8)	70	-	-
Other	64	-	-	-
The effect of changes in foreign exchange rates				
Contributions from employer	34	110	-	-
Contributions from employees into the scheme	43	39	-	-
Benefits paid	-	-	-	-
Effects of settlements	-	688	-	-
Closing fair value of Scheme Assets	**1,106**	**940**	**-**	**-**

Total of Assets and Liabilities of the schemes

Group:

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000 Restated
Opening Balance at 1 April	(67,987)	(45,134)	(1,454,160)	(1,250,700)
Current service cost	(8,676)	(6,932)	(27,490)	(28,140)
Interest cost	(2,221)	(1,946)	(47,890)	(55,190)
Return on plan assets (excluding the amount included in the net interest expense)	(1,205)	12,841	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	22,310	61,150
- Actuarial gains/losses arising from changes in financial assumptions	25,306	(33,593)	132,780	(225,530)
- Other	2,233	1,258	12,269	11,743
Past service costs	(483)	(263)	(40)	(50)
Contributions from Employers	6,247	5,798	37,221	32,557
Effect of Settlements	-	(16)	-	-
Closing Balance at 31 March	**(46,786)**	**(67,987)**	**(1,325,000)**	**(1,454,160)**

PCC:

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000
Opening Balance at 1 April	(623)	-	-	-
Current service cost	(210)	(121)	-	-
Interest cost	(23)	(15)	-	-
Return on plan assets (excluding the amount included in the net interest expense)	(8)	70	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	294	(286)	-	-
- Other	65	1	-	-
Past service costs	-	(37)	-	-
Contributions from Employers	34	110	-	-
Effect of Settlements	-	(345)	-	-
Closing Balance at 31 March	**(471)**	**(623)**	-	-

The total net pension liabilities of £1,372m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,348.2m (page 22). 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 following categories in the following table. In addition to the assets listed in the table, additional employer's contributions for pension strain have been accrued (£64k). 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 2016 £000	31 March 2015 £000
Cash and Cash Equivalents	**3,585**	**4,210**
Equity Instruments - industry type:		
- Consumer	11,921	6,782
- Manufacturing	8,656	8,368
- Energy and utilities	3,731	3,474
- Financial Institutions	10,870	10,145
- Health and Care	5,306	5,335
- Information Technology	4,997	5,360
- Other	0	7,995
Sub total Equity	**45,480**	**47,459**
Bonds - by Sector		
- Corporate	0	6,808
- Government	0	0
- Other	0	0
Sub total Bonds	**0**	**6,808**
Property - by type		
- UK Property	18,933	16,755
- Overseas Property	2,560	1,923
Sub total Property	**21,493**	**18,679**
Private equity - all:	**10,680**	**10,375**
Other Investment funds:		
- Equities	42,657	63,494
- Bonds	42,736	
- Hedge Funds	0	0
- Infrastructure	0	0
- Other	0	6,533
Sub total Other Investment Funds	**85,393**	**70,028**
Derivatives:		
- Foreign Exchange	-514	140
- Foreign Exchange	0	56
Sub total Derivatives	**-514**	**196**
Total Assets	**166,117**	**157,753**

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:

	Fair Value of Scheme Assets 31 March 2016 £000	31 March 2015 £000
Cash and Cash Equivalents	**24**	**25**
Equity Instruments - industry type:		
- Consumer	79	40
- Manufacturing	58	50
- Energy and utilities	25	21
- Financial Institutions	72	61
- Health and Care	35	32
- Information Technology	33	32
- Other	0	48
Sub total Equity	**303**	**283**
Bonds - by Sector		
- Corporate	0	41
- Government	0	0
- Other	0	0
Sub total Bonds	**0**	**41**
Property - by type		
- UK Property	126	100
- Overseas Property	17	12
Sub total Property	**143**	**111**
Private equity - all:	**71**	**62**
Other Investment funds:		
- Equities	284	378
- Bonds	285	0
- Hedge Funds		0
- Infrastructure		0
- Other		39
Sub total Other Investment Funds	**569**	**417**
Derivatives:		
- Foreign Exchange	(3)	1
- Other	0	0
Sub total Derivatives	**-3**	**1**
Total Assets	**1,106**	**940**

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.

	Local Government Pension Scheme 2015/16	2014/15	Police Pension Schemes 2015/16	2014/15
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	22.1	22.1	23.1	23.3
Women	24.3	24.3	25.1	25.7
Longevity at 65 for future pensioners				
Men	24.5	24.5	25.1	25.4
Women	26.9	26.9	27.2	27.9
Rate of inflation (CPI - LGPS and RPI - PPS)	2.20%	2.40%	[redacted]	2.40%
Rate of increases in salaries	3.20%	3.30%	[redacted]	[redacted]
Rate of increases in salaries (short term)			[redacted]	
Rate of increase in pensions	2.20%	2.40%	[redacted]	[redacted]
Rate for discounting scheme liabilities	3.50%	3.20%	[redacted]	[redacted]

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:

	Local Government Pension Scheme		Police Pension Schemes	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	15.0%	27,270	11.0%	140,600
1 year increase in member life expectancy	3.0%	6,387	2.3%	29,800
0.5% increase in the Salary Increase Rate	7.0%	9,932	1.1%	14,100
0.5% increase in the Pension Increase Rate	8.0%	16,870	8.6%	110,400
1 year increase in early retirement	n/a	n/a	0.3%	3,800

PCC:

	Local Government Pension Scheme		Police Pension Schemes	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	17.0%	265		
1 year increase in member life expectancy	3.0%	47		
0.5% increase in the Salary Increase Rate	9.0%	138		
0.5% increase in the Pension Increase Rate	8.0%	120		

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 is 13% plus £2.128m (13% plus 1.806m 2014/15) respectively. The last triennial valuation was dated 31 March 2013.

Estimated employer's contributions for 2016/17 amount to £6.1m on the LGPS and £24.5m on the Police schemes.

Maturity profile of the defined benefit obligation:

Group:

	LGPS			Police Pension Schemes excluding injury		
	Liability split as at 31 March 2016 £000	Liability split as at 31 March 2016 %	Weighted Average Duration at Previous Formal Valuation	Liability split as at 31 March 2016 £000	Liability split as at 31 March 2016 %	Weighted average duration of the defined benefit obligation
Active members	132,613	62.4%	27.3	575,270	44.9%	
Deferred members	30,879	14.5%	25.4	29,180	2.3%	
Pensioner members	49,177	23.1%	12.6	675,390	52.8%	
Total	**212,669**	**100%**	**22.2**	**1,279,840**	**100%**	**22**
Active Members				12,160	26.9%	
Pensions in Payment (injury awards)				33,000	73.1%	
Total				**45,160**	**100%**	

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:

	LGPS		
	Liability split as at 31 March 2016 £000	Liability split as at 31 March 2016 %	Weighted Average Duration at Previous Formal Valuation
Active members	1,542	97.8%	31.7
Deferred members	0	0.0%	0.0
Pensioner members	35	2.2%	0.0
Total	**1,577**	**100%**	**31.7**

19. 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 2016 temporary lending comprised:

	31 March 2016 £000	31 March 2015 £000
Money market and temporary cash deposits		
Banks	17,112	32,980
Building societies	6,006	
Local Authorities	3,002	
Total temporary lending	**26,121**	**32,980**
Represented by:		
Cash and cash equivalents	5,004	12,852
Short term investments	21,117	20,128

20. Debtors and Prepayments

	2015/16 £000	2014/15 £000
Short term debtors:		
Central government bodies (includes pension top up grant)	5,694	4,601
Other local authorities	4,296	3,788
NHS Bodies	36	-
Other entities and individuals	2,092	1,547
Prepayments	2,341	1,288
Balance at 31 March	**14,460**	**11,224**

21. Cash and Cash Equivalents

	2015/16 £000	2014/15 £000
Imprest accounts	68	25
Bank current accounts	2,574	120
Instant access deposits with banks	764	12,852
Deposit with a maturtity date less than 3 months from acquisition	5,004	-
Balance at 31 March	**8,409**	**12,997**

22. Assets Held for Sale

	Current		Non-current	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Balance at 1 April	409	325	-	-
Assets newly classified as held for sale:				
Property, plant and equipment	176	409	-	-
Assets declassifed as held for sale:				
Property, plant and equipment	-	-		
Assets sold	(409)	(325)		
Balance at 31 March	**176**	**409**	**-**	**-**

23. Creditors

Group:

	2015/16 £000	2014/15 £000
Short term creditors:		
Central government bodies	3,161	7,983
Other local authorities	4,573	3,132
NHS Bodies	189	36
Public corporations and trading funds	-	-
Other entities and individuals	8,510	6,791
Balance at 31 March	**16,434**	**17,942**

PCC:

	2015/16 £000	2014/15 £000
Short term creditors:		
Central government bodies	3,161	7,983
Other local authorities	4,573	3,132
NHS Bodies	189	36
Public corporations and trading funds	-	-
Other entities and individuals	7,820	6,311
Balance at 31 March	**15,743**	**17,462**

24. Contingent Liabilities

MMI Ltd

The insurance company Municipal Mutual Insurance Limited (MMI) ceased trading in 1992 and ceased to write new or renew policies. Potentially claims can still be received as the company continues to settle outstanding liabilities. A scheme of arrangement is in place, however this arrangement will not meet the full liability of all claims and a current levy of 25% will be chargeable in respect of successful claims on MMI's customers. No formal claims have yet been made relating to the time when MMI were the Constabulary's Insurers.

Capped Overtime Claims

The organisation potentially 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 successful 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. [redacted] The number and amount of potential claims has yet to be quantified.

Pension Regulations – Unlawful Discrimination

The Chief Constable of Norfolk, along with other Chief Constables and the Home Office, currently has [redacted] 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. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain if the claims are partially or fully successful, and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

25. Provisions

Insurance

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

Employment Tribunals and Judicial Reviews

The provision balance as at 31 March 2016 relates to two Employment Tribunals and one 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 2016 was to provide for eight members of staff given notice prior to 1 April 2016 but who will not leave the Constabulary until after 1 April 2016. The balance also includes pension strain costs yet to be paid for 10 employees.

Pension

The balance as at 31 March 2016 relates to a claim in respect of loss of protected pension age.

	Balance 1 April 2015 £000	Provision in year £000	Paid/ Reversed in year £000	Balance 31 March 2016 £000
Insurance claims	381	546	(117)	810
Employment Tribunals and Judicial Reviews	11	9	-	20
Exit Packages	295	282	(306)	271
Pension	48	-	(34)	13
Total	**735**	**837**	**(457)**	**1,115**

26. Leases

All significant leases have been assessed to identify the 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 2016 £000	31 March 2015 £000
Not later than one year	437	668
later than one year but not later than five years	657	1,388
later than five years	-	680
	1,093	**2,736**

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

	2015/16 £000	2014/15 £000
Minimum lease payments	598	758
Contingent rents	182	-
	780	**758**

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:

	31 March 2016 £000	31 March 2015 £000
Not later than one year	14	24
later than one year but not later than five years	3	27
later than five years	-	13
	17	**64**

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

	2015/16 £000	2014/15 £000
Minimum lease payments	25	32
Contingent rents	6	-
	31	**32**

27. Usable Reserves

Movements in the Group's and the PCC's usable reserves are detailed in the Movement in Reserves Statements on pages 16-19.

28. Earmarked Reserves

The movements in earmarked reserves in 2015/16 are analysed as follows:

	Note	Balance 1 April 2015 £000	Received £000	Applied £000	Reallocated £000	Balance 31 March 2016 £000
Revenue reserves:						
OCC Unitary Charge	(a)	1,840	-	(80)	-	1,760
PIC Unitary Charge	(b)	420	-	(18)	-	402
Insurance Reserve	(c)	786	-	-	-	786
Operational Contingency	(d)	400	-	(400)	-	-
Budget Support Reserve	(e)	21,414	1,137	(2,146)	(12,610)	7,796
Invest to Save Reserve	(f)	1,628	-	(274)	-	1,354
Job Evaluation Reserve	(g)	3,200	-	(1,000)	(2,200)	-
Safety Camera Reserve	(h)	2,016	692	(1,422)	-	1,285
PCC Reserve	(i)	1,017	271	(350)	-	938
Capital Financing Reserve	(j)	-	-	(4,592)	14,810	10,218
Total		**32,722**	**2,099**	**(10,282)**	**-**	**24,539**

(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
[redacted] This reserve is held to cover large unexpected losses that may exceed the annual revenue budget.

(d) Operational contingency
This reserve was to provide for the additional cost of operations over and above that held within the revenue budget for periods where a high level of incidents occur in a relatively short space of time. This reserve has now been fully utilised and should an operational contingency arise requiring support from reserves, this will be funded in future from the Budget Support Reserve.

(e) 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.

(f) 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.

(g) Job Evaluation Reserve
This reserve was set aside to provide for the additional cost of regradings following the Job Evaluation review. This process has now concluded and the remaining unused reserve has been moved to the Capital Financing Reserve.

(h) 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 initiaties 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.

(i) PCC Reserve

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

(j) Capital Financing Reserve

This is a new reserve and 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

29. 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 2016 being recovered over the next 4 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.

Year Ended 31 March 2016	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2015	**(1,522,147)**	**8,193**	**(19,358)**	**2,006**	**51**	**(480)**	**(1,531,735)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	**-**
Other comprehensive income and expenditure	193,693	194	-	-	-	-	**193,887**
Total comprehensive income and expenditure	**193,693**	**194**	**-**	**-**	**-**	**-**	**193,887**
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	(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**
Adjustments between accounting basis and funding basis under regulations	**(43,332)**	**(587)**	**4,903**	**(152)**	**(12)**	**(211)**	**(39,391)**
Net increase / decrease before transfers to Earmarked Reserves	**150,361**	**(393)**	**4,903**	**(152)**	**(12)**	**(211)**	**154,496**
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	**150,361**	**(393)**	**4,903**	**(152)**	**(12)**	**(211)**	**154,496**
Balance at 31 March 2016	**(1,371,786)**	**7,800**	**(14,456)**	**1,854**	**39**	**(691)**	**(1,377,240)**

Year Ended 31 March 2015	Pension Reserves Restated £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2014	**(1,295,834)**	**3,905**	**(18,371)**	**1,141**	**63**	**(473)**	**(1,309,572)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(172,131)	4,489	-	-	-	-	(167,642)
Total comprehensive income and expenditure	**(172,131)**	**4,489**	-	-	-	-	**(167,642)**
Amortisation of intangible assets	-	-	(215)	-	-	-	(215)
Depreciation on property, plant and equipment	-	(202)	(4,618)	-	-	-	(4,820)
Revaluation losses on property, plant and equipment	-	-	(664)	-	-	-	(664)
Capital grants and contributions credited to the CIES	-	-	-	-	-	-	-
Application of capital grants from unapplied account	-	-	1,833	-	-	-	1,833
Net gain or loss on the sale of non-current assets	-	-	(319)	-	-	-	(319)
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	(70,760)	-	-	-	-	-	(70,760)
Movement on the collection fund adjustment account	-	-	-	865	-	-	865
Capital expenditure charged to the General Fund Balance	-	-	1,106	-	-	-	1,106
Statutory provision for the repayment of debt	-	-	1,555	-	-	-	1,555
Contribution to the Police Pension Fund	16,578	-	-	-	-	-	16,578
Movement on the Compensated Absences Account	-	-	-	-	-	(7)	(7)
Use of capital receipts to fund asset purchases	-	-	335	-	-	-	335
Adjustments between accounting basis and funding basis under regulations	**(54,182)**	**(202)**	**(987)**	**865**	**(12)**	**(7)**	**(54,524)**
Net increase / decrease before transfers to Earmarked Reserves	**(226,313)**	**4,288**	**(987)**	**865**	**(12)**	**(7)**	**(222,166)**
Transfers to / from earmarked reserves	-	-		-	-	-	-
Increase / decrease in year	**(226,313)**	**4,288**	**(987)**	**865**	**(12)**	**(7)**	**(222,166)**
Balance at 31 March 2015	**(1,522,147)**	**8,193**	**(19,358)**	**2,006**	**51**	**(480)**	**(1,531,737)**

Year Ended 31 March 2016	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2015	**(623)**	**8,192**	**(19,358)**	**2,006**	**51**	-	**(9,732)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	351	194	-	-	-	-	**545**
Total comprehensive income and expenditure	**351**	**194**	-	-	-	-	**545**
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**
Contribution to the Police Pension Fund	-	-	-	-	-	-	-
Movement on the Compensated Absences Account	-	-	-	-	-	-	-
Use of capital receipts to fund asset purchases	-	-	513	-	-	-	**513**
Adjustments between accounting basis and funding basis under regulations	**(199)**	**(587)**	**4,903**	**(152)**	**(12)**	-	**3,953**
Net increase / decrease before transfers to Earmarked Reserves	**152**	**(393)**	**4,903**	**(152)**	**(12)**	-	4,498
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	**152**	**(393)**	**4,903**	**(152)**	**(12)**	-	**4,498**
Balance at 31 March 2016	**(471)**	**7,799**	**(14,455)**	**1,854**	**39**	-	**(5,234)**

Year Ended 31 March 2015	Pension Reserves £000	Reval--uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	Total Unusable Reserves £000
Balance at 1 April 2014	-	3,905	(18,371)	1,141	63	-	(13,265)
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(215)	4,489	-	-	-	-	4,274
Total comprehensive income and expenditure	**(215)**	**4,489**	-	-	-	-	4,274
Amortisation of intangible assets	-	-	(215)	-	-	-	(215)
Depreciation on property, plant and equipment	-	(202)	(4,618)	-	-	-	(4,820)
Revaluation losses on property, plant and equipment	-	-	(664)	-	-	-	(664)
Capital grants and contributions credited to the CIES	-	-	-	-	-	-	-
Application of capital grants from unapplied account	-	-	1,833	-	-	-	1,833
Net gain or loss on the sale of non-current assets	-	-	(319)	-	-	-	(319)
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	(408)	-	-	-	-	-	(408)
Movement on the collection fund adjustment account	-	-	-	865	-	-	865
Capital expenditure charged to the General Fund Balance	-	-	1,106	-	-	-	1,106
Statutory provision for the repayment of debt	-	-	1,555	-	-	-	1,555
Contribution to the Police Pension Fund	-	-	-	-	-	-	-
Movement on the Compensated Absences Account	-	-	-	-	-	-	-
Use of capital receipts to fund asset purchases	-	-	335	-	-	-	335
Adjustments between accounting basis and funding basis under regulations	**(408)**	**(202)**	**(987)**	**865**	**(12)**	-	**(743)**
Net increase / decrease before transfers to Earmarked Reserves	**(623)**	**4,288**	**(987)**	**865**	**(12)**	-	**3,531**
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	**(623)**	**4,288**	**(987)**	**865**	**(12)**	-	**3,531**
Balance at 31 March 2015	**(625)**	**8,193**	**(19,358)**	**2,006**	**51**	-	**(9,734)**

30. Movements in Cash

1 April 2014 £000	31 March 2015 £000		1 April 2015 £000	31 March 2016 £000
14,219	12,997	Cash and cash equivalents	12,997	8,409
14,219	12,997	Cash inflows	12,997	8,409
	(1,222)	**Increase / (decrease) in cash and cash equivalents**		**(4,588)**

31. Cash Flow Statement –Investing and Financing Activities

2014/15 £000		2015/16 £000
	Cash Flow Statement - Investing Activities	
6,026	Purchase of non current assets	6,046
	Other payments for investing activities	
20,000	Purchase of short-term or long term investments	31,000
(335)	Proceeds from the sale of non currents assets	(513)
128	Proceeds from short-term or long-term investments	(30,000)
(18,116)	Other receipts from investing activities	
7,703	**Cash outflow**	**6,533**
	Cash Flow Statement - Financing Activities	
-	Cash receipts of short and long-term borrowing	(6,000)
-	Other receipts from financing activities	(1,654)
741	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	1,098
-	Repayments of short and long-term borrowing	1,180
741	**Cash outflow**	**(5,376)**

32. Reconciliation of Revenue Cash Flow

Group:

2014/15 £000 Restated	2014/15 £000		2015/16 £000	2015/16 £000
		Adjustment for non cash or cash equivalent items within deficit on provision of services:		
5,700		Depreciation and impairments		5,665
-		Profit and loss on disposal of fixed assets		16
261		Internal Capital movement met from revenue		
54,182		Movements on pension liability		43,332
(343)	-	Other		-
59,800				49,012
	6,277	Increase/(decrease) in revenue creditors	(154)	
	(4,315)	decrease/(increase) in revenue debtors	(3,224)	
	(30)	decrease/(increase) in stocks	(206)	
	(222)	Increase/(decrease) in revenue provisions	380	
	-	Increase/(decrease) in grants received in advance	-	
1,710				(3,205)
61,510				**45,808**
		The cash flows for operating activities include:		
7,496		Interest paid and similar charges		7,092
(275)		Interest received		(268)

PCC:

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
		Adjustment for non cash or cash equivalent items within deficit on provision of services:		
5,700		Depreciation and impairments		5,665
-		Profit and loss on disposal of fixed assets		16
261		Internal Capital movement met from revenue		-
408		Movements on pension liability		199
(343)		Other		-
6,026				5,879
	6,270	Increase/(decrease) in revenue creditors	(365)	
	(4,315)	decrease/(increase) in revenue debtors	(3,224)	
	(30)	decrease/(increase) in stocks	(206)	
	(222)	Increase/(decrease) in revenue provisions	380	
	-	Increase/(decrease) in grants received in advance	-	
1,703				(3,415)
7,730				**2,464**
		The cash flows for operating activities include:		
7,496		Interest paid and similar charges		7,092
(275)		Interest received		(268)

33. Financial Instruments

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

	Current		Long Term	
	31.3.16	31.3.15 Restated	31.3.16	31.3.15 Restated
	£000	£000	£000	£000
Investments				
Loans and receivables	26,121	20,128	-	-
	26,121	**20,128**	-	-
Debtors				
Balances per Balance Sheet	14,460	11,224	-	-
Balances relating to Council Tax	(3,062)	(3,147)	-	-
Prepayments	(2,341)	(1,288)	-	-
Loans and receivables	**9,056**	**6,789**	**0**	**0**
Borrowings				
Financial borrowings at amortised cost	6,001	156	12,840	13,785
Financial liabilities at fair value	-	-	-	-
	6,001	**156**	**12,840**	**13,785**
Other long term liabilities				
PFI and finance lease liabilities	908	808	62,365	63,563
	908	**808**	**62,365**	**63,563**
Creditors				
Balances per Balance Sheet	16,434	16,978	-	-
Balances relating to Council Tax	(1,208)	(1,141)	-	-
Balances relating to Compensated Absences	(691)	(480)	-	-
Financial liabilities at amortised cost	14,535	15,358	-	-
Financial liabilities carried at contract amount	-	-	-	-
	14,535	**15,358**	**0**	**0**

Included within short term borrowing is an amount of £6m 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:

	2015/16			2014/15		
	Financial Liabilities at amortised cost £000	Loans and receivables £000	Total £000	Financial Liabilities at amortised cost £000	Loans and receivables £000	Total £000
Expense						
Interest expense	6,595	-	6,595	6,842	-	6,842
Fee expense	-	-	-	-	-	-
Contingent rent on PFI	577	-	577	642	-	642
Total in Surplus or Deficit on the Provision of Services	7,172	-	7,172	7,484	-	7,484
Income						
Interest income	-	(265)	(265)	-	(275)	(275)
Total in Surplus or Deficit on the Provision of Services	**7,172**	**(265)**	**6,907**	**7,484**	**(275)**	**7,209**

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 2016		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
PWLB loan	12,840	20,164	13,161	20,442
	12,840	**20,164**	**13,161**	**20,442**

The fair value of the liabilities in 2015/16 is higher than the carrying amount because the rate payable for the PWLB loan is 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
- 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 Borrowing 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.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the PCC.

The PCC's maximum exposure to credit risk in relation to its investments 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 2016 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.

	Amount at 31.3.16 £000	Historical experience of default %	Adjusted for market conditions %	Estimated exposure to default £000
Customers	478	0.1%	0.1%	-
	478			**-**

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 £1,497k outstanding from customers £478k is past its due date for payment at the year-end. The past due amount can be analysed by age as follows:

	Amount Due 31.3.16 £000	Amount Due 31.3.15 £000
Less than three months	408	489
Three to six months	20	4
Six months to one year	50	14
More than one year	-	10
	478	**517**

Liquidity risk
Cash flow is monitored daily to ensure that sufficient cash is available as needed. If unexpected movements happen the PCC has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments. The PCC has 20 loans with the PWLB that are repayable on maturity. The loans are due to mature between 6 and 42 years. All trade and other payables are due to be paid in less than 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 the 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 £2,544k.

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.

34. 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 the forces are focusing on Protective Services, Justice Services, Business Support, and from April 2015, elements of County Policing. At 31 March 2016 significant progress towards fully collaborated units had been made, with some 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
2015/16					
Suffolk PCC	16,676	9,015	14,946	709	41,346
Norfolk PCC	21,659	11,709	19,413	921	53,702
Total shared running costs	**38,335**	**20,724**	**34,359**	**1,630**	**95,048**
2014/15					
Suffolk PCC	16,555	8,970	14,858		40,383
Norfolk PCC	21,502	11,651	19,299		52,452
Total shared running costs	**38,057**	**20,621**	**34,157**		**92,835**

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:

	Total 2015/16 £000	Total 2014/15 £000
Operating costs inc Depreciation	14,458	11,731
Specific Home Office grant	(2,597)	(2,891)
Other income		-
Total Deficit/ (Surplus) for the year	11,861	8,840
Net Surplus/Deficit per force		
Bedfordshire	1,715	1,258
Cambridgeshire	2,160	1,622
Essex	576	428
Hertfordshire	3,095	2,301
Norfolk	2,441	1,832
Suffolk	1,874	1,399
Deficit/ (Surplus) for the year	11,861	8,840
Norfolk underspend held in Balance Sheet	-	14

35. 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 27 September 2016.

No adjusting events have occurred that require restatement of the Statement of Accounts.

36. Capital Commitments

Significant commitments under capital contracts as at 31 March 2016 are analysed as follows:

2014/15 £000		2015/16 £000
539	Athena Regional Crime Management & Case Preparation System	
92	Vehicle Replacements	
99	Carbon Management	
69	Livelink	
-	Towed Welfare Units	27
-	Speed cameras	106
-	Extension & refurbishment of police station	138
-	Redevelopment of police station	2,173
799	**Total committed**	**2,443**

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

Amendments which have been made to the 2014/15 brought forward comparatives and the reasons for the restated position are disclosed below for completeness. Some presentational enhancements have also been made to the statements as detailed in the narrative statement.

PFI Grant (OCC)

In the 2014/15 audited accounts, the PFI grant for the OCC was shown within taxation and non-specific grant income. The correct treatment required by the Service Reporting Code of Practice is to show this within the net cost of services. The effects of the restatement is shown in the tables below; this restatement only impacts the CIES for the PCC and the Group. The presentation of Note 9 (Government Grants) has also been amended.

Police General Fund contribution to Police Pension Fund

In the 2014/15 audited accounts, the expenditure in relation to the additional employer's contribution to meet the deficit on the Police Pension Fund is shown in the CIES within other operating expenditure. The correct treatment required by the Code of Practice is to debit the additional employer's contribution to the General Fund Balance in the MIRS rather than to debit expenditure in the CIES.

No changes have been made to the balance sheet, the total comprehensive income and expenditure in the CIES, or the opening and closing balances for any of the reserves. The effects of the restatement are shown in the tables below. The presentation of Note 9 (Government Grants), Note 18 (Retirement Benefits), Note 29 (Unusable Reserves) and Note 32 (Reconciliation of Revenue Cash Flow) has also been amended.

Movement in Reserves Statement – Group

Year Ended 31 March 2015	Audited Statements General Fund Balance £000	Audited Statements Pension Reserves £000	Change General Fund Balance £000	Change Pension Reserves £000	Restated Comparators General Fund Balance £000	Restated Comparators Pension Reserves £000
Balance at 1 April 2014	**4,475**	**(1,295,834)**	-	-	**4,475**	**(1,295,834)**
Surplus or (deficit) on provision of services (accounting basis)	(70,867)		16,578	-	(54,288)	-
Other comprehensive income and expenditure		(155,554)	-	(16,578)	-	(172,131)
Total comprehensive income and expenditure	**(70,867)**	**(155,554)**			**(54,288)**	**(172,131)**
Contribution to the Police Pension Fund			(16,578)	16,578	(16,578)	16,578
Adjustments between accounting basis and funding basis under regulations	**71,223**	**(70,759)**	(16,578)	16,578	**54,633**	**(54,181)**
Balance at 31 March 2015	**4,475**	**(1,522,147)**	-	-	**4,475**	**(1,522,147)**

There has been no change made to the PCC's Movement in Reserves Statement.

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Comprehensive Income and Expenditure Statement – Group

	Audited Statements			Change			Restated Comparators		
	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000
Division of Service:									
Local Policing	78,089	(968)	77,121	-	(1,533)	(1,533)	78,089	(2,501)	75,588
Dealing with the Public	12,409	(228)	12,181	-	(285)	(285)	12,409	(513)	11,896
Criminal Justice Arrangements	17,616	(4,938)	12,678	-	(347)	(347)	17,616	(5,285)	12,331
Road Policing	10,566	(2,767)	7,799	-	(81)	(81)	10,566	(2,848)	7,718
Specialist Operations	5,014	(1,248)	3,766	-	(126)	(126)	5,014	(1,374)	3,640
Intelligence	5,939	(93)	5,846	-	(135)	(135)	5,939	(228)	5,711
Investigations	34,043	(951)	33,092	-	(640)	(640)	34,043	(1,591)	32,452
Investigative Support	3,640	(28)	3,612	-	(77)	(77)	3,640	(105)	3,535
National Policing	6,211	(4,675)	1,536	-	(86)	(86)	6,211	(4,761)	1,450
Non-distributed costs	-		-	-	-	-	-	-	-
Corporate and democratic core	3,937	(1,002)	2,935	(1,829)	929	(900)	2,108	(73)	2,035
PCC Commissioning			-	1,829	(929)	900	1,829	(929)	900
Net Cost of Police Services	**177,464**	**(16,898)**	**160,566**	**-**	**(3,309)**	**(3,309)**	**177,464**	**(20,207)**	**157,257**
Other Operating Expenditure:									
Home Office contribution to police pensions	16,577	(16,577)	-	(16,578)	-	(16,578)	-	(16,578)	(16,578)
	16,577	**(16,593)**	**(16)**	**(16,578)**	**-**	**(16,578)**	**-**	**(16,594)**	**(16,594)**
Taxation and Non-specific Grant Income:									
Other Government Grants			(3,309)			3,309			-
	-	**-**	**(154,040)**	**-**	**-**	**3,309**	**-**	**-**	**(150,731)**
Deficit/(Surplus) on the Provision of Services			**70,867**			**(16,578)**			**54,288**
Other Comprehensive Income and Expenditure:									
Remeasurements of the net defined benefit liability (asset)			155,554			16,578			172,131
			151,065			**16,578**			**167,642**
Total Comprehensive Income and Expenditure			**221,932**			**-**			**221,930**

Comprehensive Income and Expenditure Statement – PCC

	Audited Statements			Change			Restated Comparators		
	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000
Division of Service:									
Local Policing	3,531	(60)	3,471	-	(1,533)	(1,533)	3,531	(1,593)	1,938
Dealing with the Public	648	(11)	637	-	(285)	(285)	648	(296)	352
Criminal Justice Arrangements	768	(3,466)	(2,698)	-	(347)	(347)	768	(3,813)	(3,045)
Road Policing	355	(6)	349	-	(81)	(81)	355	(87)	268
Specialist Operations	135	(2)	133	-	(126)	(126)	135	(128)	7
Intelligence	263	(4)	259	-	(135)	(135)	263	(139)	124
Investigations	1,337	(22)	1,315	-	(640)	(640)	1,337	(662)	675
Investigative Support	133	(2)	131	-	(77)	(77)	133	(79)	54
National Policing	236	(4)	232	-	(86)	(86)	236	(90)	146
Non-distributed costs	-	-	-	-	-	-	-	-	-
Corporate and democratic core	3,685	(1,003)	2,682	(1,829)	929	(900)	1,856	(74)	1,782
PCC commissioning	-	-	-	1,829	(929)	900	1,829	(929)	900
Net Cost of Police Services before group funding	**11,091**	**(4,580)**	**6,511**	-	(3,309)	(3,309)	**11,091**	**(7,889)**	**3,202**
Intra-group funding			140,818	-	-	16,578			157,396
Net Cost of Policing Services			**147,329**			**13,270**			**160,599**
Other Operating Expenditure:									
Home Office contribution to police pensions	16,577	(16,577)	-	(16,578)	-	(16,578)	-	(16,578)	(16,578)
	16,577	**(16,593)**	**(16)**	(16,578)	-	(16,578)	-	**(16,594)**	**(16,594)**
Taxation and Non-specific Grant Income:									
Other Government Grants			(3,309)			3,309			-
	-	-	**(154,040)**	-	-	3,309	-	-	**(150,731)**
Deficit/(Surplus) on the Provision of Services			**509**	-	-	-			**508**
Total Comprehensive Income and Expenditure			**(3,765)**	-	-				**(3,768)**

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Cashflow Statement – Group

	Note	Audited Statements 2014/15 £000	Change 2014/15 £000	Restated Comparators 2014/15 £000
Net Surplus/(deficit) on the provision of services	**Page 20**	**(70,867)**	**16,578**	**(54,288)**
Adjustment for non cash or cash equivalent movements	**32**	78,089	(16,578)	61,510

There has been no change made to the PCC's Cashflow Statement.

Police Pension Fund Accounting Statements

Fund Account

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
		Contributions receivable		
		Employer		
	13,453	Normal	11,710	
	1,116	Early retirements	620	
	-	Other - 30+ payments	-	
14,569				12,329
		Members		
	7,567	Normal	7,540	
7,567				7,540
		Transfers in		
	249	Individual transfers in from other schemes	731	
	-	Other	-	
249				731
		Benefits payable		
	(31,065)	Pensions	(32,087)	
	(7,595)	Commutations and lump sum retirement benefits	(11,553)	
	-	Lump sum death benefits	-	
	-	Other	-	
(38,660)				(43,640)
		Payments to and on account of leavers		
	(10)	Refunds on contributions	(13)	
	(294)	Individual transfers out to other schemes	(386)	
	-	Other	-	
(304)				(399)
(16,578)		**Net amount receivable for the year before contribution from the Police General Fund**		**(23,438)**
16,578		**Contribution from the Police General Fund**		**21,844**
-		**Additional funding payable by the local policing body**		**1,594**
-		**Net balance receivable for the year**		-

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

	2014/15 £000	2015/16 £000
Net current assets		
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.

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.

Corporate and democratic core

The corporate and democratic core comprises all activities that local authorities undertake specifically because they are elected authorities. The costs of these activities are thus over and above those that would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

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).

Defined contribution scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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.

Glossary

An explanation of terms used

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 current replacement cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, meaning the cost of its replacement or of the nearest equivalent asset, after adjusting the price to reflect the current condition of the existing asset.

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.

Non-Distributed Costs

Relates to the apportionment of certain pension costs including 'past service costs' 'settlements' and 'curtailments'.

Non-operational assets

Non-current assets held by the PCC but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

NPCC

The National Police Chiefs' Council.

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 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 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.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use. When it will not be used until later, it is appropriate to carry forward the amount that will be used when the need arises.

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.

AUDIT COMMITTEE
27 SEPTEMBER 2016
AGENDA ITEM 5
APPENDIX 2

NORFOLK CONSTABULARY
Our Priority is You

THE CHIEF CONSTABLE OF NORFOLK CONSTABULARY

STATEMENT OF ACCOUNTS

31 March 2016

Statement of Accounts
for the year ended 31 March 2016

Contents page

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

Opinion on the Chief Constable of Norfolk Constabulary financial statements

We have audited the financial statements of the Chief Constable of Norfolk Constabulary for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Norfolk Constabulary Movement in Reserves Statement;
- Chief Constable of Norfolk Constabulary Comprehensive Income and Expenditure Statement;
- Chief Constable of Norfolk Constabulary Balance Sheet;
- Chief Constable of Norfolk Constabulary Cash Flow Statement
- Chief Constable of Norfolk Constabulary Pension Fund Accounts; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 3, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Norfolk Constabulary's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Norfolk Constabulary as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

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

We have nothing to report in these respects.

Conclusion on the Chief Constable of Norfolk Constabulary's arrangements for securing economy, efficiency and effectiveness in the use of resources

Chief Constable of Norfolk Constabulary's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Chief Constable of Norfolk Constabulary had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable of Norfolk Constabulary put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Chief Constable of Norfolk Constabulary has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Kevin Suter (senior statutory auditor)
For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
September 2016

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 (CFO CC).
- 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:

S Bailey
Chief Constable of Norfolk Constabulary **September 2016**

Chief Finance Officer of the Chief Constable Responsibilities

The CFO CC 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 CC 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 CC 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 2016, and its income and expenditure for the year to that date.

J Hummersone FCPFA **September 2016**

Chair of Audit Committee

These accounts were reviewed by the Audit Committee on behalf of the Chief Constable on 27 September 2016

September 2016

Narrative Report

Introduction

This Narrative Report provides information about Norfolk Constabulary, and the Chief Constable of Norfolk's accounts (CC), including the key issues affecting the CC accounts. It also provides a summary of the financial position at 31st March 2016, 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 2015/16 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

The Police Reform and Social Responsibility Act 2011 (the Act) changed the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace the Norfolk Police Authority (NPA) with a newly elected Police and Crime Commissioner for Norfolk (PCC). Both the PCC and the Chief Constable (CC) for Norfolk Constabulary (who is responsible for the operational policing of Norfolk), were established as separate legal entities. Corporate governance arrangements for the PCC and CC 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 CC, determined by the Police Reform and Social Responsibility Act 2011, 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 CC 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 877,700, an increase of 6,700 on the previous year. 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 23.4% of Norfolk's population aged 65 and older compared with 17.6% in England. 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%.

As a popular tourist destination, Norfolk receives more than three million visitors per year with around 60,000 jobs directly supported by tourism. The public sector, agriculture, retail and engineering are all significant employers in Norfolk's local economy.

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.

Collaboration and partnership working

There is a clear expectation from the Home Office, the Treasury and HMIC, among others, for police forces and PCCs to work collaboratively. This continues to be reflected in statutory guidance and inspection frameworks.

The Police Reform and Social Responsibility Act 2011 places new 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 five 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), most recently in its October 2015 PEEL (police efficiency, effectiveness and legitimacy) inspection report in which Norfolk Constabulary was graded 'outstanding'.

Areas of collaboration outside of Norfolk/Suffolk include Eastern Regional Specialist 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.

Looking beyond police force collaboration, the Home Secretary launched a consultation in September 2015 on a proposed new duty for the three emergency services to collaborate with one another. The consultation acknowledges that while collaboration between emergency services does occur in many areas of the country, it is not as widespread or as wide-ranging as it could be in delivering efficiencies and better services.

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, in 2016 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 key 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 CC 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-today 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 2015/16 statement of accounts for the Chief Constable of Norfolk (CC) are set out on the following pages. The purpose of individual primary statements is explained below:

- **The Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the CC. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the CC'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 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 CC. The net assets of the CC (assets less liabilities) are matched by the reserves held by the CC.
- **The Cash Flow Statement** This shows the changes in cash and cash equivalents during the reporting period. The statement shows how the CC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, during 2015/16 all cash is held by the PCC for Norfolk so the cash flow statement for the CC 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 were no new requirements in the CIPFA code 2015/16 that materially affected the Statements of Accounts.

As part of the accounts preparation process, an error was identified in the way that income and expenditure were shown within the CIES in the 2014/15 accounts.

The transfer from the Police General Fund to the Police Pension Fund was shown as expenditure in the Other Operating Expenditure section of the CIES and an equivalent actuarial gain was shown within the remeasurement of the net defined benefit liability in other comprehensive income and expenditure. The correct treatment in line with the Code of Practice is to debit the Police General Fund through the Movement in Reserves Statements, rather than to show the expenditure within the CIES.

This error requires a prior period adjustment being made to the 2014/15 figures to re-present the above position.

The error in relation to the transfer from the Police General Fund to the Police Pension Fund impacts on the Movement in Reserves Statements for the Group and the Chief Constable, the Comprehensive Income and Expenditure Statements for the Group, the PCC, and the Chief Constable, and the Cashflow Statements for the Group and the Chief Constable. There is no impact on the Balance Sheet for the Group or for either single entity.

During 2015/16, the finance teams from Norfolk and Suffolk Constabularies have been amalgamated into one joint finance team, and therefore one team is now responsible for preparing the Statement of Accounts for both organisations. This collaboration has resulted in the format of the accounts being revisited, and a number of presentational enhancements have been made. These include:

- PCC Commissioning income and expenditure is now shown in a separate line in the Net Cost of Policing, whereas it was previously shown within the Corporate and Democratic Core. This presentation achieves greater transparency.
- Various presentational enhancements to the balance sheet, including showing short-term borrowing and PFI liabilities separately to short-term creditors and accruals.

4. The 2015/16 Revenue and Capital Budget Process

The 2015/16 revenue budget process continued the process of addressing the financial challenges from the Spending Reviews of 2010 and 2013.

A joint financial planning process took place in accordance with a timetable agreed by the Norfolk and Suffolk Chief Constables. This process was established as a consequence of the substantial number of collaborated areas and, therefore, the requirement to align as far as possible the service delivery plans in these areas.

Chief Officers met with senior managers and reviewed and challenged savings ideas, and growth pressures for 2015/16 and beyond. The process concluded with Joint Norfolk and Suffolk Chief Officer meetings that agreed joint budgets, costs and savings to be included in spending plans.

The PCC considered views from the community, key stakeholders and public sector bodies, on proposals for expenditure and to business representatives to enable them to comment upon the proposals. As a result the PCC proposed a council tax increase of just under 2% to the Police and Crime Panel.

These spending plans were then incorporated into the medium-term financial plan of the PCC that covered the period 2015/16 to 2019/20 which was signed off in February 2015.

The medium term financial plans for the PCC are available on www.norfolk-pcc.gov.uk

5. Financial Performance

Savings plans

The Chief Constable has run a well-established and effective Change Programme over recent years. The programme was developed to address the savings requirements arising from the spending reviews of 2010 and 2013 that covered the period up to 2015/16.

Savings plans of £7m were identified for 2015/16, and actual savings achieved were £7.388m. The impact of the Home Office Settlement for 2016/17 is a 0.6% cash reduction and there is a savings requirement of £5.143m. The PCC and CC 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 2016/17 and what this means for the constabulary over the medium term in the Looking Forward section below.

Long Term Liabilities

Pension Liabilities

The Chief Constable operates 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:

Year-end	***Total***	***Officers***	***Staff***
31 March 2016	£1,371m	£1,325m	£46m
31 March 2015	£1,522m	£1,454m	£68m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,372m at 31 March 2016, however, the financial position of the PCC 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. The statement sets out the key governance arrangements for the PCC and CC including information about inspections from Her Majesty's Inspectorate of Constabulary (HMIC) and Internal Audit.

6. Non-financial performance

The latest Crime Survey of England and Wales shows 47,732 crimes in Norfolk in the year ending March 2016. This is an 8% increase in total recorded crime (excluding fraud) compared to the previous twelve months and compares with a 9% increase in total recorded crime across England. Norfolk has a rate of 54.4 crimes per 1,000 residents, well below the national average of 67.3.

March 2016 marked the end of the period covered by the outgoing PCC. From 2011 the constabulary achieved a reduction in priority crime of 1,509 crimes (13%) and a reduction in anti-social behaviour of 19,946 calls (40%). The Constabulary achieved a reduction in reoffending amongst those on the 180 scheme of more than 50% and had a victim satisfaction score of 75.8%.

The Constabulary has continued its focus on identifying and supporting victims of hidden harm. Over the past twelve months, recorded domestic abuse crimes have increased by more than 20% and recorded sexual offences have increased by 21%. Much work has taken place locally and nationally to encourage reporting of these offences, ensuring victims are receiving the appropriate support and protection from perpetrators.

The significant reduction in anti-social behaviour achieved over the past five years is in no small part due to the Operational Partnership Teams (OPTs) operating across every district in the county. Bringing together police and partner agencies, the OPTs are a dedicated resource with a remit to target repeat, vulnerable and high risk cases of anti-social behaviour. The Constabulary reduced reported incidents of anti-social behaviour by 16.4% in the past twelve months to April 2016, a reflection of the work tackling long term problems and challenges.

During 2015/16 the constabulary radically changed the way it attends calls for service. The introduction of Threat, Harm, Risk, Investigation, Vulnerable, Engagement (THRIVE) processes in the control room ensures greater priority is given to attending those calls where the most threat and harm is present, but also greatly enhances the Constabulary's scheduled attendance ability. The changes mean the force is attending more priority calls within target but also providing a better service to those where the demand on the police call for attendance is at a time more suitable to the caller.

In May 2015 Radio 1's Big Weekend was held in Earlham Park. 50,000 people attended the two day festival but just eight arrests were made at the event. The Constabulary received praise for their policing of the event.

In total, the Constabulary policed and supported hundreds of events, including Norwich City football matches, Norwich Pride, the Sundown festival, summer carnivals across the county and King's Lynn's Festival Too music events.

7. Looking Forward

During the course of the last parliament, and through two Spending Reviews, police were required to deal with significant cuts in funding and deliver savings of around 20% in real terms. In the run up to the general election (May 2015), and subsequently in the lead up to the Spending Review 2015, the expectation given to the police was that further cuts in excess of 25% in real terms would be required over the life of the new parliament and as such all workforce planning had been based on those expectations.

However, due to an improvement in economic forecasts at the time, the Chancellor announced in the autumn statement on the 25th November 2015 that the funding settlement for police would be significantly better than previously expected, and the overall settlement for total police funding would be protected at cash levels, meaning that inflation would have to be absorbed.

In the provisional Police Grant Report on 17th December, Mike Penning, The Minister of State for Policing stated "For 2016/17 direct resource funding for each PCC, including precept, will be protected at flat cash levels, assuming that precept income is increased to the maximum amount available." Of course the decision on council tax increases was for PCCs to make, not the government.

This sudden change in funding settlement, against what had been previously expected, saw a decrease in central grants of 0.6% (instead of the previous assumption of 4.5%). The Medium Term Financial Plan was developed following the announcement of the improved police funding settlement for 2016/17, and also incorporated the decision, by the former PCC, to raise the precept by just under 2% following consultation with the public.

The Norfolk 2020 project, initiated prior to the Chancellor's statement, is reviewing the current shape, scope and size of Norfolk Police and the model for the delivery of local policing. This analysis will be combined with findings from Evidence Based Policing research and developments with multi-agency services to form a new delivery model. The improved settlement from government did not change the need to continue with this review and implement a new fit-for-purpose and efficient policing model in Norfolk over the life of the MTFP.

The Constabulary continues to work with the PCC to develop sustainable plans and models of operational policing that will contribute to bridge the remaining modest budget gap over the medium-term. To continue with the progress of aligning budgets to demand, performance, outcomes and priorities, a programme is being developed using Outcome Based Budgeting (OBB). This approach will analyse the activity spending of the entire force, in terms of budgets, establishment, performance, demand and outcomes. This information will then be lined up against the priorities and demands of the PCC and the constabulary. This will allow projects to be developed to target areas that can be made more efficient, and those areas requiring more investment.

Other proactive strands that will feed into the new Change Programme include Evidenced Based Policing projects through the Better Policing Collaborative. There will also be further work on the Digital Strategy that will release savings through rationalisation of systems, and enable the modernisation of the force through investment in digital technology.

Opportunities to deliver additional savings through continued work with collaborative partners including Suffolk Constabulary and particularly in the eastern region through the Seven Force Strategic Collaboration Programme, as well as local partners such as other blue light services and local authorities in Norfolk, will continue.

All of these proactive elements, that use demand, performance and priority data will shape the new Change Programme and be captured in future Medium-Term Financial Plans to support the continued transformation and modernisation of policing.

Given the above information and other financial assumptions, for example on inflation and precept setting, the Medium Term Financial Plan (MTFP) covering the four financial years 2016/2017 to 2019/2020 was approved by the PCC. It shows a recurring deficit of £5.5m by 2019/2020 and this deficit will be addressed by the proactive approach set out above.

The former Home Secretary (now Prime Minister) repeated her demand for greater efficiency and reform and continues to underline her view that the grant settlement has provided the police service with the resources it needs to deal with all the demand pressures. While the picture for medium-term funding for the police service as a whole looks much improved in comparison to last year, there are still uncertainties facing the global, European and UK economy as recovery from recession continues.

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

Further Information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This has been advertised in the local press. The PCC complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.
Further information may be obtained from the Chief Finance Officer, at The Office of the Police and Crime Commissioner for Norfolk, Building 8 Jubilee House, Falconers Chase, Wymondham, NR18 0WW.

Movement in Reserves Statement for the Chief Constable of Norfolk Constabulary

Year Ended 31 March 2015	General Fund Balance Restated £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves Restated £000	**Total Unusable Reserves Restated £000**	**Total Reserves £000**
Balance at 1 April 2014	-	-	-	-	-	**(1,296,307)**	**(1,296,307)**
Surplus or (deficit) on provision of services (accounting basis)	(53,780)	-	-	-	(53,780)	-	(53,780)
Other comprehensive income and expenditure	-	-	-	-	-	(171,916)	(171,916)
Total comprehensive income and expenditure	**(53,780)**	-	-	-	(53,780)	(171,916)	(225,696)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	70,351	-	-	-	70,351	(70,351)	-
Contribution to the Police Pension Fund	(16,578)	-	-	-	(16,578)	16,578	-
Movement on the Compensated Absences Account	7	-	-	-	7	(7)	-
Adjustments between accounting basis and funding basis under regulations	**53,780**	-	-	-	53,779	(53,779)	-
Net increase / decrease before transfers to Earmarked Reserves	-	-	-	-	-	(225,696)	(225,696)
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	-	-	-	-	-	(225,696)	(225,696)
Balance at 31 March 2015	-	-	-	-	-	(1,522,004)	(1,522,004)

Movement in Reserves Statement for the Chief Constable of Norfolk Constabulary

Year Ended 31 March 2016	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2015	-	-	-	-	-	**(1,522,003)**	**(1,522,003)**
Surplus or (deficit) on provision of services (accounting basis)	(43,344)	-	-	-	(43,344)	-	(43,344)
Other comprehensive income and expenditure	-	-	-	-	-	193,342	193,342
Total comprehensive income and expenditure	**(43,344)**	-	-	-	(43,344)	193,342	149,998
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	64,977	-	-	-	64,977	(64,977)	-
Contribution to the Police Pension Fund	(21,844)	-	-	-	(21,844)	21,844	-
Movement on the Compensated Absences Account	211	-	-	-	211	(211)	-
Adjustments between accounting basis and funding basis under regulations	**43,344**	-	-	-	43,344	(43,344)	-
Net increase / decrease before transfers to Earmarked Reserves	-	-	-	-	-	149,998	149,998
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	-	-	-	-	-	149,998	149,998
Balance at 31 March 2016	-	-	-	-	-	(1,372,005)	(1,372,005)

Comprehensive Income and Expenditure Statement
for the Chief Constable of Norfolk Constabulary
for the year ended 31 March 2016

Gross Expenditure 2014/15 Restated £000	Income 2014/15 Restated £000	Net Expenditure 2014/15 Restated £000		Note	Gross Expenditure 2015/16 £000	Income 2015/16 £000	Net Expenditure 2015/16 £000
			Division of Service:				
74,558	(908)	73,650	Local Policing		73,733	(1,092)	72,641
11,761	(217)	11,544	Dealing with the Public		11,978	(176)	11,803
16,848	(1,472)	15,376	Criminal Justice Arrangements		17,153	(1,791)	15,361
10,211	(2,761)	7,450	Road Policing		5,595	(1,691)	3,904
4,879	(1,246)	3,633	Specialist Operations		8,174	(431)	7,743
5,676	(89)	5,587	Intelligence		8,553	(146)	8,407
32,706	(929)	31,777	Investigations		33,281	(1,098)	32,183
3,507	(26)	3,481	Investigative Support		4,573	(166)	4,408
5,975	(4,671)	1,304	National Policing		9,140	(8,685)	456
-	-	-	Non-distributed costs		523	-	523
252	1	253	Corporate and democratic core		-	-	-
166,373	**(12,318)**	**154,055**	**Net Cost of Police Services before group funding**	**6**	**172,704**	**(15,275)**	**157,429**
-	**(157,396)**	**(157,396)**	**Intra-group funding**	**4**		**(164,173)**	**(164,173)**
166,373	**(169,714)**	**(3,341)**			**172,704**	**(179,448)**	**(6,744)**
			Other Operating Expenditure:				
-	-	-	Home Office contribution to police pensions		-	-	-
-	-	-	Loss/(profit) on disposal of fixed assets		-	-	-
-	-	-			-	-	-
			Financing and Investment Income and Expenditure:				
-	-	-	Interest payable and similar charges		-	-	-
57,122	-	57,122	Pensions interest cost and expected return on pensions assets	**18**	50,088	-	50,088
-	-	-	Interest and investment income		-	-	-
57,122	-	**57,122**			**50,088**	-	**50,088**
			Taxation and Non-specific Grant Income:	**15**			
-	-	-	General grants		-	-	-
-	-	-	Capital grants and contributions		-	-	-
-	-	-	Other Government Grants		-	-	-
-	-	-	Non-domestic rate redistribution		-	-	-
-	-	-	Precepts		-	-	-
-	-	-			-	-	-
		53,780	**Deficit/(Surplus) on the Provision of Services**				**43,344**
			Other Comprehensive Income and Expenditure:				
		-	(Surplus) / deficit on the revaluation of assets				-
		171,917	Remeasurements of the net defined benefit liability (asset)	**18**			(193,342)
		171,917					**(193,342)**
		225,697	**Total Comprehensive Income and Expenditure**				**(149,998)**

Balance Sheet for the Chief Constable of Norfolk Constabulary as at 31 March 2016

31 March 2015 £000		Notes	31 March 2016 £000
-	TOTAL ASSETS		-
480	Short-term creditors and accruals	19	691
480	**Current Liabilities**		691
1,521,523	Liability Related to Defined Benefits	18	1,371,314
1,521,523	**Long Term Liabilities**		1,371,314
1,522,004	**TOTAL LIABILITIES**		**1,372,005**
(1,522,004)	**NET ASSETS / (LIABILITIES)**		**(1,372,005)**
-	Usable reserves	9	-
(1,522,004)	Unusable reserves	10	(1,372,005)
(1,522,004)	**TOTAL RESERVES**		**(1,372,005)**

These financial statements replace the unaudited financial statements certified by John Hummersone on 30 June 2016

J Hummersone FCPFA **September 2016**

Cash-flow Statement for the Chief Constable of Norfolk Constabulary

for the year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
(53,780)	**Net Surplus/(deficit) on the provision of services**	**Page 13**	**(43,344)**
53,780	Adjustment for non cash or cash equivalent movements	**11**	43,344
	Adjustment for items included in net deficit on the provision		
-	of services that are investing or financing activities:		-
-	Capital grants and contributions		-
	Net cash flows from operating activities		
-	Investing activities		-
-	Financing activities		-
	Net increase or (decrease) in cash and cash equivalents		
-	Cash and cash equivalents at the beginning of the reporting period		-
	Cash and cash equivalents at the end of the reporting period		

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 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 (COP) and the Service Reporting Code of Practice 2015/16 (SeRCoP), 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

The PCC pays for all expenditure including salaries of police officers, police community support officers and police staff. There is no transfer of real cash between the PCC and Chief Constable and the latter does not have a bank account into which monies can be received or paid from. Operational costs and incomes are recognised in the Chief Constable's Accounts to reflect the PCC's resources consumed in the direction and control of day-to-day policing at the request of the Chief Constable. The Chief Constable also recognises the employment and post-employment costs and liabilities in his Accounts. To fund these costs the Chief Constable's Accounts show a funding guarantee provided by the Commissioner to the Chief Constable as income, although no real cash changes hands. This treatment forms the basis of the intra-group adjustment between the Accounts of the Commissioner and Chief Constable.

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 CC 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 and certain payroll balances, a de-minimis level of £1,000 is set for year-end accruals.

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

Services and Support Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

- Amortisation of intangible assets attributable to the service.

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 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.

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. The cost of annual leave entitlement, time off in lieu and flexi time earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave or similar balances into the following period. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which the employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit.

Post-employment benefits

Officers have the option of joining the Police Pension Scheme 2015. Civilian employees have the option of joining the Local Government Pensions 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 benefits schemes.

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

Liabilities are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is based on the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

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, 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 disclosed on a straight-line basis over the period in which the increase in benefit vests, and are debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs.

- 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 three pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

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

<u>Discretionary Benefits</u>

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

The Group makes payments to police officers in relation to injury awards and the expected injury awards for active members are valued and accounted for.

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

<u>Financial liabilities</u>

Financial liabilities are recognised on the Balance Sheet when the Group 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 Group 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.

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 relevant service line 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 relevant service line 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.

Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. Supplies from inventories are charged to the relevant service line in the CIES using an average cost formula.

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 as a minimum, the following Fitch, Standard and Poors and Moody's credit ratings:

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 AAA and as a minimum, the following Fitch, Standard and Poors and Moody's credit ratings:

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 plc)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds;
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2015/16 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 CC 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 CC 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.

<u>The PCC as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds 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.

<u>The PCC as Lessor</u>

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure 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.

Overheads and support services

The costs of overheads and support services are charged to service lines that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCoP). Costs are attributed to service lines either directly or using an appropriate cost driver with the exception of:

- Corporate and Democratic Core – costs relating to the PCC's status as a multi-functional, democratic organisation.
- Non Distributed Costs – costs relating to retirement benefits and unused and unusable shares of assets.

These two cost categories are defined in SeRCoP and accounted for as separate headings in the CIES, as part of the Net Cost of Policing Services.

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 has use of the assets for the substantial part of their useful lives, 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.

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.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the 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 relevant service lines 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

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:

<u>Revaluation Reserve</u>

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

<u>Capital Adjustment Account</u>

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

Pension Reserve

The 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 CC 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 CC 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).

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 2015/16 (COP), the COP is based on International Financial Reporting Standards (IFRSs).

In 2016/2017 adoption of the amendments to the following may be required to be reported;

- IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs (2010 to 2012 cycle).
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2012 to 2014 cycle).
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Fund Account and the Net Assets Statement
- IFRS 13 Fair Value Measurement

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2016, and these IFRSs will be initially adopted as at 1 April 2016. The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. It is not expected that the adoption of these standards will have a material effect on the financial statements.

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 2016/2017 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, that has been set out in the Narrative Statement, is a judgement as a result of greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance.
- Costs of pension arrangements require estimates assessed by independent qualified actuary's 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, a separate valuation exercise has been carried out in 2015/16 to provide the accounting entries.
- 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 CC have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the CC accounts including the service charges element of the PFI.

4. Intra-group Funding Arrangements 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 Statement.

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 cumulative 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. Service Expenditure Analysis

The principal functions included within the Net Cost of Service line in the Group's financial statements relate to the day to day costs of administering and supporting the PCC's office as well as working directly with local communities and the public. The Net Cost of Service line also includes the financial resources of the Group under the direction and control of the Chief Constable through operational policing, and is included in the CIES as follows:

Local policing
Neighbourhood policing
Incident (response) management
Specialist Community liaison
Local command team and support overheads

Dealing with the public
Dealing with the public command team and support overheads
Local call centres/front desk
Central communications unit
Contact management units

Road policing
Roads Policing command team and support overheads
Traffic units
Traffic wardens/PCSOs - Traffic
Vehicle recovery
Casualty reduction partnership

Specialist operations
Central operations command team and support overheads
Air operations
Dogs section
Level 1 advanced public order
Firearms unit
Civil contingencies

Intelligence
Central intelligence command team and support overheads
Intelligence/threat assessments
Intelligence gathering

Criminal justice arrangements
Criminal Justice Arrangements command team and support overheads
Custody
Criminal justice
Police National Computer (PNC)
Disclosure and Barring Service (DBS)
Coroner assistance
Fixed penalty scheme (central ticket office)
Property officer/stores

Investigations
Crime support command team and support overheads
Major investigation unit
Economic crime (including regional asset recovery team)
Investigations
Serious and organised crime unit
Public protection

Investigative support
Investigative support command team and support overheads
Scenes of crime officers
External forensic costs
Fingerprint/Internal forensic costs
Photographic image recovery
Other forensic services

National policing
Secondments (out of force)
Counter-terrorism/Special Branch
NPCC projects/initiatives

Please note that business support function costs are absorbed into the above operational functions.

Corporate and Democratic Core costs relate to the democratic representation, management, administration and governance functions of the PCC's office, it also includes officer time spent on advising the PCC and public consultation.

Non Distributed costs are costs that cannot be allocated to current operational functions. Examples are: impairments of non-operational property such as police houses and past service pension costs.

6. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by cost of policing on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Group on the basis of budget reports analysed across Service Departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to service departments.

The income and expenditure of the CC, summarised by the principal Service Departments recorded in the budget reports for the year, is as follows:

	Subtotal Chief Constable	Movements between PCC/CC	Total Chief Constable	Not reported to Management	Amount not included in CIES	Total CC
		£000	£000	£000	£000	£000
Reported to Chief Officers in 2015/16						
Fees charges and other income	(5,639)		-	199	265	(5,175)
Government grants	(15,097)		-	6,757	-	(8,340)
Total Service Income	**(20,736)**	-	-	**6,956**	**265**	**(13,515)**
Employee expenses	129,445		-	36,694	(21,520)	144,619
Other service expenses	28,958		-	(61)	(2,572)	26,325
Depreciation, impairments & capital	10,362		-	-	(10,362)	-
Contingencies & appropriations	(1,708)			-	1,708	-
Total Service Expenditure	**167,056**	-	-	**36,633**	**(32,745)**	**170,944**
Net Cost of Police Services	**146,320**	-	-	**43,589**	**(32,481)**	**157,429**
Reported to Chief Officers in 2014/15						
Fees charges and other income	(7,333)	401	(6,932)	-	-	(6,932)
Government grants	(11,815)	6,756	(5,059)	-	-	(5,059)
Other Grants and Contributions	(337)		(337)	-	-	(337)
Total Income	**(19,485)**	**7,157**	**(12,328)**	-	-	**(12,328)**
Employee expenses	128,038	(442)	127,596	-	13,237	140,833
Other service expenses	37,244	(11,694)	25,550	-	-	25,550
Depreciation and impairments	-		-	-	-	-
Gains & Losses on Disposal of PPE	-		-	-	-	-
Total Operating Expenditure	**165,282**	**(12,136)**	**153,146**	-	**13,237**	**166,383**
Inter Group Transfers						
Net Cost of Police Services	**145,797**	**(4,979)**	**140,818**	-	**13,237**	**154,055**

7. 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 CC 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 £167.6m.

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.

8. 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 27 September 2016.

No adjusting events have occurred that require restatement of the Statement of Accounts.

9. Usable Reserves

Movements in the CC's usable reserves are detailed in the Movement in Reserves Statement on pages 11 and 12.

10. Unusable Reserves

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

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

Year Ended 31 March 2015	Pension Reserves Restated £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Financial Instruments Adj' Account £000	Comp' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2014	**(1,295,834)**	-	-	-	-	**(473)**	**(1,296,307)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(171,916)	-	-	-	-	-	(171,916)
Total comprehensive income and expenditure	**(171,916)**	-	-	-	-	-	**(171,916)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(70,351)	-	-	-	-	-	(70,351)
Contribution to the Police Pension Fund	16,578	-	-	-	-	-	16,578
Movement on the Compensated Absences Account	-	-	-	-	-	(7)	(7)
Adjustments between accounting basis and funding basis under regulations	**(53,773)**	-	-	-	-	**(7)**	**(53,779)**
Net increase / decrease before transfers to Earmarked Reserves	**(225,689)**	-	-	-	-	**(7)**	**(225,696)**
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	**(225,689)**	-	-	-	-	**(7)**	**(225,696)**
Balance at 31 March 2015	**(1,521,523)**	-	-	-	-	**(480)**	**(1,522,003)**

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11. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000 Restated	£000		2015/16 £000	£000
		Adjustment for non cash or cash equivalent items within deficit on provision of services:		
-		Depreciation and impairments		-
-		Profit and loss on disposal of fixed assets		-
-		Internal Capital movement met from revenue		-
53,773		Movements on pension liability		43,133
-		Other		-
53,773				43,133
	7	Increase/(decrease) in revenue creditors	211	
	-	decrease/(increase) in revenue debtors	-	
	-	decrease/(increase) in stocks	-	
	-	Increase/(decrease) in revenue provisions	-	
	-	Increase/(decrease) in grants received in advance	-	
7				211
53,780				**43,344**
		The cash flows for operating activities include:		
-		Interest paid and similar charges		-
-		Interest received		-

12. Officers' Remuneration

The numbers of employees and relevant police officers whose remuneration exceeded £50k in 2015/16 were as follows:

	Chief Constable 2015/16	Chief Constable 2014/15
Remuneration		
£50,000 - £54,999	6	5
£55,000 - £59,999	4	5
£60,000 - £64,999	-	1
£65,000 - £69,999	-	1
£70,000 - £74,999	1	-
£75,000 - £79,999	1	2
£80,000 - £84,999	3	3.4
£85,000 - £89,999	3	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1.66	1
£100,000 - £104,999	-	2
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	1
£145,000 - £149,999	-	1
£150,000 - £154,999	1	-
£175,000 - £179,999	-	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, 0.66 FTE relates to the CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.66 relates to the Chief Constable share of the FTE based on salary paid.

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 CC 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
2015/16							
Position held							
Chief Constable - Simon Bailey	152	-	-	36	[illegible]	2	193
Deputy Chief Constable	119	-	-	28	[illegible]	2	155
Assistant Chief Constable	107	-	-	25	[illegible]	-	136
Temporary Assistant Chief Constable (23 Jun 2014 to 3 Jan 2016)	79	-	-	18	[illegible]	-	99
CFO (CC) - 0.66 FTE	64	-	-	-	-	-	64
2014/15							
Position held							
Chief Constable - S Bailey	144	-	-	33	4	2	183
Deputy Chief Constable	118	-	-	28	6	1	153
Assistant Chief Constable (1)	102	-	-	24	5	-	131
Assistant Chief Constable (2) (Transferred 18 Jul 2014)	33	-	-	7	1	-	41
Assistant Chief Constable (3)	95	-	-	21	3	-	119
Assistant Chief Officer - Resources	107	93	-	-	-	6	206
CFO (CC) - 0.4 FTE	34	-	-	-	-	-	34

The Assistant Chief Constable is in a collaborative post, for whom a contribution of £63.1k was paid by Suffolk Constabulary.

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.

13. Related Parties

The CC is required to disclose material transactions with bodies or individuals that have the potential to control or influence the CC or to be controlled or influenced by the CC. Disclosure of these transactions allows readers to assess the extent to which the CC 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 2015/16 there were no material related party transactions involving senior officers of the Constabulary, other than those included under employees' remuneration set out in Note 12 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 CC, it is responsible for providing the statutory framework within which the CC operates, provides the majority of its funding and prescribes the terms of many of the transactions that the CC has with other parties. Income from central government is set out in Note 15 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements: these are fully disclosed in Note 20.

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

14. External Audit Costs

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

2014/15 £000		2015/16 £000
	The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts	
20	The Chief Constable of Norfolk	15
20		**15**

15. Grant Income

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

	Amount receivable for 15/16 £000	Amount receivable for 14/15 £000 Restated
Credited to Services		
Police incentivisation	111	134
Police community support officers	-	-
Counter terrorism	106	4,151
Basic command unit	-	-
PFI grant	-	-
Other specific grants	219	909
	436	**5,193**

16. 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 CC accounts for the services element during 2015/16 was £1.248m (£1.336m in 2014/15). Payments remaining to be made under the PFI contract for services at 31 March 2016 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	OCC Revenue Services £000
Payable in 2016/17	1,444
Payable within two to five years	6,146
Payable within six to ten years	8,521
Payable within eleven to fifteen years	8,637
Payable within sixteen to twenty years	9,772
Payable within twenty one to twenty five years	1,394
Payable within twenty six to thirty years	0
	35,914

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 CC accounts is for the net services element which during 2015/2016 was £0.987m million (£0.920m in 2014/2015). This figure includes a credit received from Cambridgeshire Police of £0.499m 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 2016 (which exclude any availability/performance deductions), are shown in the following table:

	PIC Revenue Services £000
Payable in 2016/17	1,516
Payable within two to five years	7,781
Payable within six to ten years	10,447
Payable within eleven to fifteen years	12,927
Payable within sixteen to twenty years	15,123
Payable within twenty one to twenty five years	15,608
Payable within twenty six to thirty years	0
	63,401

17. 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 2015/16	Number of Compulsory Redundancies 2014/15	Number of Other Agreed Departures 2015/16	Number of Other Agreed Departures 2014/15	Total Number of Exit Packages 2015/16	Total Number of Exit Packages 2014/15	Total Value of Exit Packages 2015/16 £000	Total Value of Exit Packages 2014/15 £000
£0 - £20,000	33	25	-	-	33	25	295	251
£20,001 - £40,000	8	6	-	-	8	6	189	171
£40,001 - £60,000	2	2	-	1	2	3	89	141
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	1	-	-	-	1	-	93
	43	34	-	1	43	35	573	656

18. 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:

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 scheme 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 which provides protection costs above the provision in the 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 CC'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 CC has arrangements for the payment of discretionary benefits to certain retired employees outside of the provisions of the schemes. The following transactions have been made in the CIES and the General Fund via the MIRS during the year:

	LGPS		Police Schemes	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
				Restated
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs	8,466	6,811	27,490	28,140
Past service Costs	483	226	40	50
(Gain)/loss from settlement	-	(329)	-	-
Financing and investment income and expenditure				
Net Interest Expense	2,198	1,931	47,890	55,190
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service	**11,147**	**8,639**	**75,420**	**83,380**
Other post employment benefit charged to the CIES				
Return on plan assets (excluding the amount included in the net interest expense)	1,197	(12,771)	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(22,310)	(61,150)
- Actuarial gains/losses arising from changes in financial assumptions	(25,012)	33,307	(132,780)	225,530
- Other	(2,168)	(1,257)	(12,269)	(11,742)
Total post employment benefit charged to the CIES	**(14,836)**	**27,918**	**(91,939)**	**236,018**
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**14,836**	**(27,918)**	**91,939**	**(236,018)**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	6,213	5,688	-	-
Retirement benefits payable to pensioners	-	-	37,221	32,558
Net charge to the General Fund	**6,213**	**5,688**	**37,221**	**32,558**

Assets and liabilities in relation to retirement benefits

	Local Government Pension Scheme 2015/16	2014/15	Police Pension Schemes 2015/16	2014/15
Present value of liabilities	(211,390)	(224,177)	(1,325,000)	(1,454,160)
Fair value of plan assets	165,075	156,813	-	-
Total Net liabilities	**(46,315)**	**(67,364)**	**(1,325,000)**	**(1,454,160)**

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000
Opening Balance at 1 April	224,177	180,692	1,454,160	1,250,700
Current service cost	8,466	6,811	27,490	28,140
Interest cost	7,284	7,730	47,890	55,190
Contributions by scheme participants	2,002	2,000	8,260	7,570
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(22,310)	(61,150)
- Actuarial gains/losses arising from changes in financial assumptions	(25,012)	33,307	(132,780)	225,530
- Other	(2,101)	(1,257)	(12,120)	(11,500)
Past service costs	483	226	40	50
Losses/(gains) on curtailment	-	-	-	-
Benefits Paid	(3,909)	(4,315)	(45,630)	(40,370)
Effects of settlements	-	(1,017)	-	-
Closing Balance at 31 March	**211,390**	**224,177**	**1,325,000**	**1,454,160**

Reconciliation of fair value of the scheme assets

	Funded Assets Local Government Pension Scheme 2015/16 £000	2014/15 £000	Unfunded Assets Police Pension Schemes 2015/16 £000	2014/15 £000 Restated
Opening fair value of scheme assets	156,813	135,558	-	-
Interest Income	5,086	5,799	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	(1,197)	12,771	-	-
Other	67	-	149	243
The effect of changes in foreign exchange rates				
Contributions from employer	6,213	5,688	37,221	32,557
Contributions from employees into the scheme	2,002	2,000	8,260	7,570
Benefits paid	(3,909)	(4,315)	(45,630)	(40,370)
Effects of settlements	-	(688)	-	-
Closing fair value of Scheme Assets	**165,075**	**156,813**	**-**	**-**

Total of Assets and Liabilities of the schemes

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000 Restated
Opening Balance at 1 April	(67,364)	(45,134)	(1,454,160)	(1,250,700)
Current service cost	(8,466)	(6,811)	(27,490)	(28,140)
Interest cost	(2,198)	(1,931)	(47,890)	(55,190)
Return on plan assets (excluding the amount included in the net interest expense)	(1,197)	12,771	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	22,310	61,150
- Actuarial gains/losses arising from changes in financial assumptions	25,012	(33,307)	132,780	(225,530)
- Other	2,168	1,257	12,269	11,742
Past service costs	(483)	(226)	(40)	(50)
Contributions from Employers	6,213	5,688	37,221	32,558
Effect of Settlements	-	329	-	-
Closing Balance at 31 March	**(46,315)**	**(67,364)**	**(1,325,000)**	**(1,454,160)**

The total net pension liabilities of £1,371m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,393.7m (page 14). However, the financial position of the CC 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 CC'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 in the following table. In addition to the assets listed in the table, additional employer's contributions for pension strain have been accrued (£64k). Reciprocal liabilities associated with these additional pension strain costs have also been reflected in the gross pension liabilities note.

	Fair Value of Scheme Assets	
	31 March 2016 £000	31 March 2015 £000
Cash and Cash Equivalents	**3,561**	**4,184**
Equity Instruments - industry type:		
- Consumer	11,842	6,742
- Manufacturing	8,599	8,318
- Energy and utilities	3,706	3,453
- Financial Institutions	10,797	10,085
- Health and Care	5,270	5,303
- Information Technology	4,963	5,328
- Other	0	7,947
Sub total Equity	**45,177**	**47,176**
Bonds - by Sector		
- Corporate	0	6,767
- Government	0	0
- Other	0	0
Sub total Bonds	**0**	**6,767**
Property - by type		
- UK Property	18,807	16,656
- Overseas Property	2,543	1,912
Sub total Property	**21,350**	**18,567**
Private equity - all:	**10,609**	**10,313**
Other Investment funds:		
- Equities	42,373	63,116
- Bonds	42,452	0
- Hedge Funds	0	0
- Infrastructure	0	0
- Other	0	6,494
Sub total Other Investment Funds	**84,825**	**69,610**
Derivatives:		
- Foreign Exchange	(510)	139
- Other	0	56
Sub total Derivatives	**-510**	**195**
Total Assets	**165,011**	**156,813**

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.

	Local Government Pension Scheme 2015/16	2014/15	Police Pension Schemes 2015/16	2014/15
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	22.1	22.1	23.1	23.3
Women	24.3	24.3	25.1	25.7
Longevity at 65 for future pensioners				
Men	24.5	24.5	25.1	25.4
Women	26.9	26.9	27.2	27.9
Rate of inflation (CPI - LGPS and RPI - PPS)	2.20%	2.40%	[redacted]	2.40%
Rate of increases in salaries	3.20%	3.30%	4.20%	4.20%
Rate of increases in salaries (short term)			1.00%	
Rate of increase in pensions	2.20%	2.40%	[redacted]	2.20%
Rate for discounting scheme liabilities	3.50%	3.20%	[redacted]	3.30%

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.

	Local Government Pension Scheme: Approximate Increase to Employers Liability %	Local Government Pension Scheme: Approximate Monetary Amount £000	Police Pension Schemes: Approximate Increase to Employers Liability %	Police Pension Schemes: Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	13.0%	27,005	11.0%	140,600
1 year increase in member life expectancy	3.0%	6,340	2.3%	29,800
0.5% increase in the Salary Increase Rate	5.0%	9,794	1.1%	14,100
0.5% increase in the Pension Increase Rate	8.0%	16,750	8.6%	110,400
1 year increase in early retirement	n/a	n/a	0.3%	3,800

Impact on the CC'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 2011 along with the contribution rate to 31 March 2017 following the Triennial Valuation as at 31 March 2013 are shown in the following table:

	Future Service Contribution Rate %	**Annual Deficit Recovery Contribution £000**
1 April 2011 to 31 March 2012	13.0%	953
1 April 2012 to 31 March 2013	13.0%	1,128
1 April 2013 to 31 March 2014	13.0%	1,307
1 April 2014 to 31 March 2015	13.0%	1,553
1 April 2015 to 31 March 2016	13.0%	1,806
1 April 2016 to 31 March 2017	13.0%	2,128

Estimated employer's contributions for 2016/17 amount to £6.1m on the LGPS and £24.5m on the Police schemes.

Maturity profile of the defined benefit obligation:

	LGPS			**Police Pension Schemes excluding injury**		
	Liability split as at 31 March 2016 £000	**Liability split as at 31 March 2016 %**	**Weighted Average Duration at Previous Formal Valuation**	**Liability split as at 31 March 2016 £000**	**Liability split as at 31 March 2016 %**	**Weighted average duration of the defined benefit obligation**
Active members	131,071	62.1%	27.2	575,270	44.9%	
Deferred members	30,879	14.6%	25.4	29,180	2.3%	
Pensioner members	49,142	23.3%	12.6	675,390	52.8%	
Total	**211,092**	**100%**	**22.1**	**1,279,840**	**100%**	**22**
Active Members				12,160	26.9%	
Pensions in Payment (injury awards)				33,000	73.1%	
Total				**45,160**	**100%**	

19. Creditors

The balance of Creditors is made up of the following:

	2015/16 £000	2014/15 £000
Short term creditors:		
Central government bodies	-	-
Other local authorities	-	-
NHS Bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	691	480
Balance at 31 March	**691**	**480**

20. 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 the forces are focusing on Protective Services, Justice Services, Business Support, and from April 2015, elements of County Policing. At 31 March 2016 significant progress towards fully collaborated units had been made, with some 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
2015/16					
Suffolk PCC	16,676	9,015	14,946	709	41,346
Norfolk PCC	21,659	11,709	19,413	921	53,702
Total shared running costs	**38,335**	**20,724**	**34,359**	**1,630**	**95,048**
2014/15					
Suffolk PCC	16,555	8,970	14,858		40,383
Norfolk PCC	21,502	11,651	19,299		52,452
Total shared running costs	**38,057**	**20,621**	**34,157**		**92,835**

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:

	Total 2015/16 £000	Total 2014/15 £000
Operating costs inc Depreciation	[redacted]	11,731
Specific Home Office grant	(2,597)	(2,891)
Other income		-
Total Deficit/ (Surplus) for the year	[redacted]	8,840
Net Surplus/Deficit per force		
Bedfordshire	1,715	1,258
Cambridgeshire	2,160	1,622
Essex	576	428
Hertfordshire	3,095	2,301
Norfolk	[redacted]	1,832
Suffolk	[redacted]	1,399
Deficit/ (Surplus) for the year	[redacted]	8,840
Norfolk underspend held in Balance Sheet	-	14

21. 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. No formal claims have yet been made relating to the time when MMI were the Constabulary's Insurers.

Capped Overtime Claims

The organisation potentially 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. [redacted] The number and amount of potential claims has yet to be quantified.

Pension Regulations – Unlawful Discrimination

The Chief Constable of Norfolk, along with other Chief Constables and the Home Office, currently has [redacted] 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. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain if the claims are partially or fully successful, and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

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

Amendments which have been made to the 2014/15 brought forward comparatives and the reasons for the restated position are disclosed below for completeness. Some presentational enhancements have also been made to the statements as detailed in the narrative statement.

Police General Fund contribution to Police Pension Fund

In the 2014/15 audited accounts, the expenditure in relation to the additional employer's contribution to meet the deficit on the Police Pension Fund is shown in the CIES within other operating expenditure. The correct treatment required by the Code of Practice is to debit the additional employer's contribution to the General Fund Balance in the MIRS rather than to debit expenditure in the CIES. The presentation of Note 10 (Unusable Reserves), Note 11 (Cash Flow Statement – Operating Activities), Note 15 (Grant Income), Note 18 (Defined Benefit Pension Schemes) has also been amended.

No changes have been made to the balance sheet, the total comprehensive income and expenditure in the CIES, or the opening and closing balances for any of the reserves. The effects of the restatement are shown in the tables below.

Movement in Reserves Statement

	Audited Statements		Change		Restated Comparators	
Year Ended 31 March 2015	General Fund Balance £000	Pension Reserves £000	General Fund Balance £000	Pension Reserves £000	General Fund Balance £000	Pension Reserves £000
Balance at 1 April 2014	-	(1,295,834)	-	-	-	(1,295,834)
Surplus or (deficit) on provision of services (accounting basis)	(70,358)		16,578	-	(53,780)	-
Other comprehensive income and expenditure	-	(155,339)	-	(16,578)	-	(171,917)
Total comprehensive income and expenditure	(70,358)	(155,339)			(53,780)	(171,916)
Contribution to the Police Pension Fund	-	-	(16,578)	16,578	(16,578)	16,578
					-	-
Adjustments between accounting basis and funding basis under regulations	70,358	(70,351)	(16,578)	16,578	53,780	(53,773)
					-	-
Balance at 31 March 2015	-	(1,521,524)	-	-	-	(1,521,523)

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Comprehensive Income and Expenditure Statement

	Audited Statements			Change			Restated Comparators		
	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000
Intra-group funding	-		(140,818)			(16,578)			(157,396)
	166,373	(12,318)	13,237	-	-	(16,578)	166,373	(12,318)	(3,341)
Deficit/(Surplus) on the Provision of Services			70,358	-	-	(16,578)			53,780
Other Comprehensive Income and Expenditure:									
Remeasurements of the net defined benefit liability (asset)			155,339			16,578			171,917
			155,339			16,578			171,917
Total Comprehensive Income and Expenditure			225,697						225,697

Cashflow Statement

	Note	Audited Statements 2015/16 £000	Change	Restated Comparators 2014/15 £000
Net Surplus/(deficit) on the provision of services	Page 13	(70,358)	16,578	(53,780)
Adjustment for non cash or cash equivalent movements	11	70,358	(16,578)	53,780

Police Pension Fund Accounting Statements

Fund Account

2014/15 £000	£000		2015/16 £000	£000
		Contributions receivable		
		Employer		
	13,453	Normal	11,710	
	1,116	Early retirements	620	
	-	Other - 30+ payments	-	
14,569				12,329
		Members		
	7,567	Normal	7,540	
7,567				7,540
		Transfers in		
	249	Individual transfers in from other schemes	731	
	-	Other	-	
249				731
		Benefits payable		
	(31,065)	Pensions	(32,087)	
	(7,595)	Commutations and lump sum retirement benefits	(11,553)	
	-	Lump sum death benefits	-	
	-	Other	-	
(38,660)				(43,640)
		Payments to and on account of leavers		
	(10)	Refunds on contributions	(13)	
	(294)	Individual transfers out to other schemes	(386)	
	-	Other	-	
(304)				(399)
(16,578)		**Net amount receivable for the year before contribution from the Police General Fund**		**(23,438)**
16,578		**Contribution from the Police General Fund**		**21,844**
-		**Additional funding payable by the local policing body**		**1,594**
-		**Net balance receivable for the year**		-

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

	2014/15 £000	2015/16 £000
Net current assets		
Net balance receivable from the Police General Fund	-	-
	-	-

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GLOSSARY OF TERMS

BUDGET
The statement of the CC's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see Revenue Expenditure) of the Constabulary.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the professional body responsible for accountants working in the public service. The Institute provides financial and statistical information on local government and public finance matters. CIPFA is a privately funded body with charitable status.

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.

FINANCIAL REGULATIONS
A written code of procedures intended to provide a framework for proper financial management.

FINANCIAL YEAR
The period covered by a set of financial accounts - the financial year commences 1 April and finishes 31 March the following year.

FINANCIAL REPORTING STANDARDS (FRS)
These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of financial statements. Any material departures from these standards should be disclosed in notes to the accounts.

GLOSSARY
Explanation of terms used.

GOVERNMENT GRANTS
Grants paid by the Government for a particular initiative.

INCOME
Amounts due to an organisation that have been or are expected to be received.

NPCC
The National Police Chiefs' Council.

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.

RESERVES
Monies set aside by the PCC for Norfolk for a specific purpose in one financial year and carried forward to meet expenditure in future years. General Fund is available to meet future revenue and capital expenditure.

REVENUE EXPENDITURE AND INCOME
Day to day expenses and charges for goods and services, mainly salaries and wages and general running expenses.

OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

NORFOLK CONSTABULARY
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ANNUAL GOVERNANCE STATEMENT FOR THE POLICE AND CRIME COMMISSIONER FOR NORFOLK AND THE CHIEF CONSTABLE OF NORFOLK 2015/16

1. Background

1.1 This Annual Governance Statement covers the financial year 2015/16 but extends to cover the period to the signing of the Statements of Accounts at the end of September 2016. This statement is an opportunity to demonstrate compliance with the Police and Crime Commissioner's Code of Corporate Governance.

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

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

1.4 The Corporate Governance Framework which sets out how governance 'works' for the PCC and Chief Constable can be found on the PCC's website (www.norfolk-pcc.gov.uk) or may be obtained from the Office of the Police and Crime Commissioner for Norfolk, Building 8, Jubilee House, Falconers Chase, Wymondham, Norfolk, NR18 0WW.

1.5 This Framework includes a newly adopted joint Code of Corporate Governance (the Code) which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government [April 2016] (as expanded by a Guidance Note for Police [June 2016]). **NB This new guidance is effective from 2016/17 but the opportunity has been taken, with the arrival of the new PCC, to use it to update the governance arrangements and draft this Statement.**

1.6 The PCC's and Chief Constable's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (as amended December 2013). However, please see further commentary at 3.7 below.

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

2. The Purpose of the Governance Framework

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

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

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

3. The Governance Framework

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

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

3.3 The governance framework has been in place throughout the financial year 2015/16 (ending 31 March 2016) and up to the date of the approval of the Statements of Accounts.

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

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

3.5 The Police Code of Ethics, produced by the College of Policing, describes the principles that every member of the policing profession in England and Wales is expected to uphold and the standards of behaviour they are expected to meet. This

Code applies to all those who work for the Constabulary, be they police officers, employees, contractors or volunteers. All staffs have been made aware of the requirements of the Code of Ethics and where necessary this is enforced for police officers by the Police (Conduct) Regulations and for police staff by the Police Staff Council Misconduct Procedures. A Code of Conduct based on the Code has also been adopted by the PCC, Deputy PCC and staff of the OPCC.

3.6 Formal policies also exist in respect of whistle blowing, public complaints, anti-fraud and corruption and the need to maintain a register of interests. An Ethics Committee has been established to enable staff to raise for consideration ethical issues affecting the Constabulary to enable further improvement in the transparency, professionalism and ethical approach of staff, policies and procedures to such issues.

3.7 **Note**: Since 1st April 2014 the Norfolk PCC's Chief Financial Officer (CFO) has acted in a dual capacity (as Section 151 officer) for both the Norfolk PCC and the Norfolk Chief Constable. The CIPFA Code says that a joint CFO is not 'envisaged' in view of the separate corporations sole, but the arrangement has been working well. There are separate employment contracts in place for each of the two roles and the arrangement has been extended until May 2017.

Principle B - Ensuring openness and comprehensive stakeholder engagement

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

3.9 The Constabulary offers regular, direct updates via its social and digital channels including Twitter, Facebook, the force website, and indirectly via the local media. In addition, members of the public can sign up to the free Police Connect service to receive details of local crimes, initiatives and engagement opportunities via e-mail, voicemail or text.

3.10 The Constabulary Community Engagement Strategy sets out how the Constabulary will make arrangements for providing information and obtaining the views of people within each neighbourhood in accordance with Section 34 of the Police Reform and Social Responsibility Act 2011.

3.11 Representatives of the PCC attend meetings regularly to ensure that the arrangements the Constabulary has in place are effective. The PCC's Office (OPCC) also has its own Communications and Engagement Strategy setting out how it will obtain the views of the community and victims of crime regarding policing. This was updated for 2016-2020.

3.12 The previous PCC held a countywide budget consultation asking Norfolk people whether they agreed to a 2% precept rise for 2016/17. More than 2,300 people responded with over 64% in favour of a rise. Political groups and key partners were also consulted. The PCC holds regular public meetings (Police Accountability Forum) to hold the Chief Constable to account. The new PCC wants to engage much more widely for the 2017/18 budget.

3.13 The PCC has established a Victims' Panel which is enabling him to consult directly with victims on a wide range of subjects and issues. The OPCC manages a number of independent advisory panels including the Independent Advisory Group (IAG).

3.14 The Constabulary measures the satisfaction of service users through the use of public surveys and reports to the Office of the PCC on levels of satisfaction as one of the agreed Police and Crime Objectives. This is done in accordance with Home Office requirements.

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

3.16 There are also services that are subject to ongoing regional collaboration. A Seven Force Strategic Collaboration Programme has been established (this is essentially the three strategic collaborations of Norfolk/Suffolk, Kent/Essex and Bedfordshire/Cambridgeshire/Hertfordshire) with a mission to develop options for wider collaboration in order to make efficiencies and drive out further costs. The programme is governed jointly by the seven PCCs and seven Chief Constables.

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

3.17 The previous Commissioner published the first Police and Crime Plan for the period 2013/14 to 2016/17 in accordance with the Police Reform and Social Responsibility Act 2011. This established the PCC's vision and objectives for residents and service users. Following the PCC's first year in office the Plan was refreshed in 2014 to take account of the commissioning strategy and framework and to also make it more user-friendly and accessible. This approach has been endorsed by the Norfolk Police and Crime Panel. An annual report is also produced that provides an update on the PCC's progress against the delivery of the Police and Crime Plan.

3.18 The new PCC has consulted widely on his new Plan (2016/20) which will be published in the autumn.

3.19 There is a co-ordinated process for strategic and medium-term financial planning (MTFP). The most recent MTFP covers the period 2016/17 to 2019/20. The Chancellor announced in his autumn statement on the 25th November 2015 that the funding settlement for police would be significantly better than previously expected, and the overall settlement for total police funding would be 'protected' at 2015/16 cash levels. In the provisional Police Grant Report on 17th December 2015, the Minister of State for Policing said "For 2016/17 direct resource funding for each PCC, including precept, will be protected at flat cash levels, assuming that precept income is increased to the maximum amount available." As a result, and whatever the PCC decides about precept increases, budget reductions will still be required to finance pay awards, price increases and service pressures over the medium term. The work involved in preparing the budget and the MTFP requires close liaison with operational staff and budget managers followed by a detailed process of scrutiny and challenge by Chief Officers in order to ensure that the Plan reflects the strategic aims of the Constabulary and the PCC. The financial strategy reflects the corporate and operational objectives of the Constabulary and PCC.

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

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

3.22 A Programme Management Office has been established to oversee all collaborative activities on a day-to-day basis, monitor progress against the agreed programme and report upwards into a Joint Norfolk and Suffolk Chief Officer Team and the PCCs.

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

3.23 Norfolk and Suffolk Constabularies gather data and intelligence from a range of sources to produce an annual Strategic Assessment. The Strategic Assessment takes into account all relevant internal and external factors that might impact upon policing, crime and disorder at county and local level, highlighting emerging issues, risks and threats. This is then used to inform the development/review of Police and Crime Plans, inform the development of local policing plans and performance frameworks and is shared with partners to aid their decision making and planning.

3.24 The Constabulary also undertakes strategic analysis in the form of Strategic Profiles. Where relevant, these are produced jointly for Norfolk and Suffolk, highlighting any cross force and single force issues. The profiles cover a range of strategic crime and thematic topics and provide a comprehensive account of the issues, taking into consideration of any existing research or 'what works' evidence to inform strategic and tactical action plans and decision making. These strategic profiles are then used to inform the overall Strategic Assessment.

3.25 The Joint Performance and Analysis Department (JPAD), under the lead of the Head of Department, undertakes analysis, research, consultation and improvement and evaluation activity across the Constabulary. The collaboration of these distinct areas of business within one department allows for more informed analysis to take place which could relate to any part of the organisation, whether operational or organisational. This collaboration also results in the greater use of a variety of techniques to aid tactical and strategic decision making and to formulate problem solving approaches. The department seeks to use an evidenced based approach to its work ensuring that the best available evidence regarding 'what works' is considered as part of the Constabulary's problem solving activity and evaluations are conducted to ensure lessons are learnt and successes identified.

3.26 The department produces analytical work to support a number of forums and groups, including the Tasking and Co-ordination Group meetings and Performance and Accountability meetings, delivering strategic and tactical products which facilitate forward resource planning and the identification and management of threat, risk and harm, thereby minimising costs to the organisation. The department supports the Constabulary in meeting its statutory and legislative requirements regarding information and data provision including the Annual Data Returns as set out by the Home Office and provision of data for a large proportion of Freedom of Information Requests.

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

3.27 Both Norfolk and Suffolk Constabularies have accepted that this area requires improvement and have recently approved a new Leadership and Development Strategy.

The Strategy promotes the idea that Leadership is not necessarily about rank. It advocates 'Courageous, Inclusive and Ethical' leadership. It goes further to describe the development of the whole workforce which is engaged not only in day to day activity but also in strategic projects and change programmes.

The Professional Development Review process has been relaunched and the documentation will be electronic.

HMIC's PEEL Spring 2016 inspection covered Legitimacy, Leadership and Efficiency. The results of the inspection will be known later in the year and will be covered in the 2016/17 Annual Governance Statement.

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

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

3.29 The Crime Registry and Audit functions for Suffolk and Norfolk are also now part of JPAD. By carrying out independent and rigorous audit of crime and incident recording, they provide an objective assessment of how the Constabularies are complying with the National Crime and Incident Recording Standards. The audit reports produced are reviewed by Chief Officers and if areas for improvement are identified, action is allocated and taken accordingly.

3.30 The introduction of Athena (a new major operational policing system) in October 2015 had the effect of reducing the quality and availability of performance data to the PCC. An action plan to deal with emerging Athena issues is being worked through to ensure the quality of crime recording returns to satisfactory levels.

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

3.31 The Commissioner produces and publishes an Annual Report which details performance for the previous year against the objectives set in the Annual Policing Plan. Financial performance against the revenue budget, capital programme and levels of reserves is reported regularly.

3.32 The OPCC has received an award for the quality of its website, which includes the transparency requirements set out by Regulations.

3.33 The Audit Committee (now meeting in public) has overseen the full programme of internal and external audit activity. See details below.

4. Review of Effectiveness

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

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

4.3 A full report was presented to the June meeting of the Audit Committee and the groups and processes that have been involved in maintaining and reviewing the effectiveness of internal control include the following:

4.4 Corporate Governance Working Group

4.4.1 This Group has been established to review the corporate governance framework and systems of internal control and to oversee the preparation of this Annual Governance Statement. The group comprises the Chief Executive of the PCC, the PCC's and Chief Constable's Chief Finance Officer, the Head of Joint Finance together with one co-opted member of the Audit Committee. The officers have involvement in the oversight of the governance framework and its processes and are in a position to review its effectiveness.

4.5 Internal Audit

4.5.1 Internal audit (delivered under contract by TIAA from 1 April 2015) provides independent and objective assurances across the whole range of the PCC's and Constabulary's activities and regularly presents findings to the Audit Committee of the PCC and Chief Constable. They have taken a managed audit approach in conjunction with external audit to ensure that all necessary areas of compliance are covered. The audit programme for the year was prepared and agreed with the PCC and Chief Constable following a risk based assessment. The managed audit approach has been developed successfully over past years, in agreement with external audit to bring further efficiency to audits.

4.5.2 The external auditor (Ernst and Young LLP, appointed by the Audit Commission in 2012) is able to place reliance on the work of internal audit.

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

4.5.4 The overall opinion for 2015/16 from the Head of Internal Audit was

"I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a positive conclusion as to the adequacy and effectiveness of Norfolk Police and Crime Commissioner's and Chief Constable's risk management, control and governance processes. In my opinion, Norfolk Police and Crime Commissioner and Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives."

4.5.5 This positive opinion is an improvement on the prior year.

4.6 External Audit and Other External Review Bodies

4.6.1 External Audit provides a further source of assurance by reviewing the annual accounts and value for money assessment and reporting upon internal control processes and any other matters relevant to their statutory functions and codes of practice. An unqualified audit report was issued on the 2014/15 Statement of Accounts at the end of September 2015 together with an unqualified value for money conclusion. The External Auditor's Annual Audit Letter was issued on 9 October 2015 and it did not identify any matters to be addressed.

4.6.2 The Constabulary is subject to almost continuous review by Her Majesty's Inspector of Constabulary (HMIC) and a number of inspections were carried out over the period. Reports relating to Norfolk can be found on HMIC website:-
https://www.justiceinspectorates.gov.uk/hmic/?type=publications&force=norfolk&s&cat&year

Of note are the following reports:-

PEEL: Police Effectiveness (Vulnerability) – 15 November 2015
HMIC Overall Judgement: Good. No areas for improvement.

PEEL: Police Efficiency – 20 October 2015
HMIC Overall Judgement: Outstanding. No areas for improvement.

Child Protection Post Inspection Review – 27 October 2015
Review with no grading.
Findings summary "Norfolk Constabulary had developed a robust governance process to ensure that officers correctly recorded information on the use of police protection powers. Overall, the constabulary had made good progress with safeguarding children involved in domestic abuse – an action plan on domestic abuse was in place and being actively implemented. However, problems remained in the multi-agency safeguarding with the lack of assessment for cases considered as standard risk." In response additional staff have been deployed to ensure that incidents assessed as presenting a "standard" risk are reviewed.

PEEL: Police legitimacy 2015
HMIC Overall Judgement: Good.
Areas for improvement:
"The force should ensure that stop and search records include sufficient reasonable grounds to justify the lawful use of the power, and that officers fully understand the grounds required to stop and search." In response the Force has adopted 'Best Use of Stop Search' (Home Office best practice). Work is ongoing to increase officers'

understanding of what constitutes 'reasonable grounds'. Additional training and monitoring are helping to ensure compliance.

PEEL Police effectiveness 2015

HMIC Overall Judgement: Good.

Areas for improvement

The Constabulary should add relevant data from partner agencies to its serious and organised crime local profile, and ensure that it has a local partnership structure in place with responsibility for tackling serious and organised crime.

All strategic profiles (including those on organised crime based issues/themes) include partner agency data where possible and can be accessed. In addition, the Head of JPAD sits on a number of forums which are all looking at data and information sharing and joint working. Joint work is also underway with Norfolk County Council to conduct joint analysis around domestic abuse looking at indicators and interventions as well as looking at case study analysis of offenders and victims.

National Recommendations

When HMIC completes Thematic Inspections both Force specific and National Reports are produced. Often the National Reports list a number of recommendations for all forces to consider.

In August 2016 a request was received from HMIC to review a template with 81 recommendations taken from National Reports dating back to 2013. Information was sort on recommendations:

- Not being progressed
- That will be progressed
- That are being progressed
- Completed.

Out of the 81, 66 were submitted as being complete with work being progressed on the remaining 15. One of the outstanding actions predates the 2015 reports (2013). Progress is being monitored by Chief Officers.

NB. A response to the submission is awaited from the HMIC.

4.6.3 The Information Commissioner's Office (ICO) carried out some audit work in April 2016 across Norfolk/Suffolk Constabularies.

The ICO is responsible for enforcing and promoting compliance with the Data Protection Act 1998 (DPA) and the audit covered (1) Records Management (Electronic & Manual), and (2) Data Sharing.

From a rating of (1) High Assurance, (2) Reasonable Assurance, (3) Limited Assurance and (4) Low Assurance, the ICO rated Norfolk/Suffolk Constabularies as having Reasonable Assurance, i.e. there is a reasonable level of assurance that processes and procedures are in place to deliver data protection compliance. The audit identified some scope for improvement in existing arrangements to reduce the risk of non-compliance with the DPA.

To effectively address some of the areas of non-compliance and satisfy the ICO during their follow up audit scheduled next year, resourcing levels will need to be reviewed (and they will be as part of the 2017/18 budget considerations), particularly if the recommendations associated with Data Sharing and annual Data Protection training are to be fully adopted.

The audit findings will be progressed and managed through the Information Management Steering Group.

4.7 Police and Crime Panel

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

4.7.2 The Panel has powers of veto in relation to the appointment of the Chief Constable and the PCC's proposed precept. This latter power was exercised for the 2016/17 precept proposal. The new PCC is establishing his engagement with the Panel on all relevant matters.

4.8 Audit Committee

4.8.1 The Committee provides advice, to the PCC and Chief Constable, on audit and governance issues and champions both audit and the embedding of risk management. Specifically, it receives and scrutinises the review of the system of internal control, and agrees and monitors any action plans resulting from those reviews.

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

4.8.3 The Committee has assessed its own performance during the year and the need for a number of small improvements has been identified. Members have continued to receive briefings and training through the year. Two vacancies within the committee have been filled during the summer months.

5. Significant Governance Issues

5.1 The significant governance issues identified in the 2014/15 Annual Governance Statement have been addressed as described in that Statement. Physical access to buildings remained an issue but a follow-up audit by Internal Audit (TIAA) concluded that security arrangement had been greatly improved and were now fully acceptable.

5.2 There were three areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' assurance. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted.

5.3 The three areas were Payroll, Purchase Cards and Proceeds of Crime arrangements. All the audit recommendations have now been completed with the exception of payroll where reconciliation of tax and national insurance deductions with payments made to HMRC is ongoing.

6. Assurance Summary

6.1 The Corporate Governance Working Group has concluded that the governance arrangements are fit for purpose in accordance with the governance framework. Those areas to be specifically addressed are set out in Section 5 above.

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

Signed

Lorne Green
Police and Crime Commissioner for Norfolk

Simon Bailey
Chief Constable of Norfolk

Mark Stokes
Chief Executive
Office of the Police and Crime Commissioner

John Hummersone
Chief Finance Officer

Date: 27th September 2016

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

AUDIT COMMITTEE
27 SEPTEMBER 2016
AGENDA ITEM 5
APPENDIX 4

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

Audit Results Report - ISA (UK and Ireland) 260 for the year ended 31 March 2016

September 2016
Ernst & Young LLP

Building a better working world

190.

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Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance - the Police and Crime Commissioner (PCC) and the Chief Constable (CC)) - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements (which comprise those for the Police and Crime Commissioner Group and those for the Chief Constable) and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	We have substantially completed our audit of the financial statements of the Police and Crime Commissioner for Norfolk (Group) incorporating the Police and Crime Commissioner (Single Entity) and the Chief Constable (Single Entity) for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix C we will issue an audit opinion in the form which appears in Appendix F. We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the financial statements of the PCC Group and Single Entity and the CC Single Entity. We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources. We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. The PCC Group is below the threshold requiring a detailed audit of the consolidation pack for Whole of Government. We had no issues to report. We expect to issue the audit certificate at the same time as the audit opinion.
Objections	We have not received any objections to the 2015/16 accounts from members of the public.
Audit differences	There are no unadjusted or adjusted audit differences this year above the levels set which we need to report to you.
Scope and materiality	In our audit plan presented at the 10 March 2016 Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £4.9 million for the Group; £4.5 million for the Chief Constable (Single Entity); £2.4 million for the PCC (Single Entity); and £0.7 million for the Police Pension Fund Accounts. We have reassessed this based on the draft financial statements for the financial year and have slightly amended in some cases the amounts to £5 million for the Group; £4.5 million for the Chief Constable (Single Entity); £2.4 million for the PCC (Single Entity); and £0.9 million for the Police Pension Fund Accounts. The change in the Group accounts derives from an increase in gross expenditure between 2014/15 and 2015/16 of £11.2 million, offsetting a fall in gross Pension Interest Costs of £7 million. Pension Fund materiality increases due to an increase in Benefits Payables by £5 million between 2014/15 and 2015/16.

	The basis of our assessment is 2% of gross operating expenditure for the Group and Chief Constable (Single Entity), 2% of Gross Assets for the PCC (Single Entity); and 2% of Benefits Payable for the Police Pension Fund. These 2% thresholds have remained consistent with prior years' thresholds. The threshold for reporting audit differences which impact the financial statements has also changed slightly from £0.248 million to £0.251 million for the Group; from £0.229 million to £0.228 million for the Chief Constable (Single Entity); from £0.124 million to £0.123 million for the PCC (Single Entity); and £0.038 million to £0.043 million for the Police Pension Fund. We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include: • Remuneration disclosures including any severance payments, exit packages and termination benefits. We checked the bandings reported in the financial statements, tested the completeness of the disclosures and checked that the disclosures made were compliant with the Code of Practice. We checked transactions back to the payroll system and supporting documentation. • Related party transactions. Our audit strategy was to obtain and review declarations from senior officers and members of the PCC and Constabulary for any material disclosures and make sure that the disclosure was compliant with the Code. We carried out our work in accordance with our Audit Plan. However, the financial statements for the PCC Group and PCC Single Entity contain prior period adjustments for the material PFI grant of £3.3 million and Home Office grant of £16.6 million for 2014/15 (the latter impacting on the CC accounts). We do not expect prior period adjustments from the previously audited statements, and where arising have consulted our technical network. As a result we have incurred extra work, which will need to be reflected in our final fee.
Significant audit risks	We identified the following audit risks during the planning phase of our audit and reported these to you in our audit plan presented to the 10 March 2016 Audit Committee: • Risk of fraud in revenue and expenditure recognition; • Risk of management override; and • New Enterprise Resource Planning system The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.
Other reporting issues	We wish to report the following matters: • The PCC and CC published the relevant documents on their respective websites in time for the public inspection period beginning 1 July 2016. However, the PCC and CC did not publish the Annual Governance Statement on the same date but had done so by mid-July 2016; and

	• Management prepared working papers for the first week of the audit visit of 25 July but not all had been prepared at that stage. Best practice is to prepare all working papers in time for the signing of the financial statements by the Section 15 Officer for 30 June next year and 31 May in 2017/18. Management also had difficulty in obtaining payroll reports to support our analytics data in this area and which delayed our audit.
Control observations	We have adopted a fully substantive approach and have therefore not tested the operation of controls. Pending the conclusion of our work on the Payroll Enterprise Resource System for Payroll, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We would like to take this opportunity to thank the' Office of the Police and Crime Commissioner's staff and the staff of the Chief Constable for their assistance during the course of our work.

Kevin Suter (senior statutory auditor)
For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
September 2016

2. Responsibilities and purpose of our work

The Responsibilities of the Police and Crime Commissioner (PCC) and the Chief Constable (CC)

The PCC and CC are responsible for preparing and publishing their Statement of Accounts, accompanied by the Joint Annual Governance Statement (AGS). In the joint AGS, the PCC and CC report publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

The PCC and CC are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements of the PCC Group, the PCC and the CC together with the consistency of other information published with them;
- Report on an exception basis on the Joint Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the PCC and CC had put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the PCC and CC accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
Risk of fraud in revenue recognition Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. One area which may be particularly susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Capital programme.	• Reviewed and tested revenue and expenditure recognition policies; • Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; • Reviewed and tested revenue cut-off at the period end date; and. • Tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.	• Our review concluded that the PCC and CC have appropriate revenue and expenditure recognition policies; • Our review of accounting estimates did not identify any evidence of management bias; • We did not find errors from testing cut-off processes; • Our testing did not identify any expenditure which had been inappropriately capitalised.
Risk of management override As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions	• We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing. • Our review of accounting estimates did not identify any evidence of management bias. • We did not identify any significant unusual transactions

New ERP System Norfolk and Suffolk Constabularies have implemented the new Enterprise Resource Planning system to support Human Resources, Duties, Finance, Procurement and Payroll. The ERP system aims to assist joint working and improve the efficiency of support departments to enable savings to be realised. The system was implemented in April 2015. We are aware that there were problems on inception and as this will be the first year that the financial statements are produced using the new ERP system there is a risk that the statements may be materially misstated.	• Reviewed the controls implemented by management to transfer its financial information to the new financial system, including reliance on the work performed by Internal Audit where relevant; • Documented the key financial systems and walkthrough the key processes and controls; • Used data analytics to map the trial balance to the financial statements to identify any coding anomalies; • Performed high level analytical procedures to help identify any significant unexpected year-on-year variances; • Checked the balance sheet opening balances to ensure these have been migrated correctly from the previous system; and • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements to ensure significant balances have been correctly classified.	• Pending the conclusion of our work on the Payroll Enterprise Resource System for Payroll, our review of the transfer of financial information indicates that management had appropriate governance and control procedures in place to highlight and address errors arising from the transfer of data; • We did not identify an significant control deficiencies from our walk-through of key processes and controls; • Our mapping of the trial balance did not identify any coding anomalies; • Management were able to explain some, but not all, of the variances arising from our high-level analytical review. We have not found any issues of miss-classification from our expenditure testing. • Our review of balance sheet opening balances did not highlight any balances that had not migrated correctly from the previous system; • Our testing of journal entries recorded in the general ledger and other adjustments have not identified incorrectly classified significant balances.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the PCC and CC financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We wish to report the following matters:

- The PCC and CC published the relevant documents on their respective websites in time for the public inspection period beginning 1 July 2016. However, the PCC and CC did not publish the Annual Governance Statement on the same date. We did not consider any further formal reporting was required as the PCC and CC corrected the omission by mid July 2016. We judged this would give the public sufficient time to consider all documents fully.
- Management prepared working papers for the first week of the audit visit of 25 July, but best practice is to do this for the signing of the financial statements by the Section 15 Officer. As the timetable moves to 31 May in 2017/18, management needs to bring forward its preparations to meet this date.
- Management also had difficulty in obtaining payroll reports to support our analytics data which delayed our audit in this area.
- The financial statements for the PCC Group and PCC Single Entity contain prior period adjustments for the material PFI grant of £3.3 million and Home Office grant of £16.6 million for 2014/15. Management identified the adjustments following the harmonisation of financial processes between Norfolk and Suffolk Constabularies. In previous years the PCC and Group has :
    - Has shown the PFI grant within taxation and non-specific grant income. The restatement includes the grant within the net cost of services; and
    - Shown the Home Office grant in the Comprehensive Income and expenditure statement within other operating expenditure. The restatement involves debiting the grant to the General Fund balance in the Movement in Reserves Statement.

  The financial statements record that the adjustment is presentational in the Comprehensive Income and Expenditure Statement, but having no impact on the Balance Sheet and the financial position of the Group PC, Single entity PCC and single Entity CC. With Prior Period Adjustments we consult our technical network. Following our audit, management has amended Note 37 in the PCC accounts and Note 22 in the CC accounts to provide further disclosure of the prior period adjustments as regards to the individual Notes that the PCC and CC have restated. As a result, our work has incurred an extra fee. In future years we would welcome earlier notification and discussion regarding proposed prior period adjustments before the preparation of the financial statements, which will assist in mitigating any fee impact.
- Within the Comprehensive Income and Expenditure Statement (CIES) and Note 6 Amounts Reported for Revenue Resource Allocation Decisions, we identified differences between the 2014/15 and 2015/16 financial statements. Management were unable to explain fully all differences. This is because there are differences in coding and reporting between the former E5 system and Oracle ERP. Management has represented that the coding structure in the new system to provide a more accurate reflection of activity in the 2015/16 financial statements. Our audit has tested 2015/16 expenditure substantively and not found any areas of miss-classification.
- Management has amended the narrative report to highlight risks to the achievement of the Council's corporate objectives and has enhanced financial and performance information. The report now complies with the requirements of the Update to the Code of Practice on Local Authority Accounting issued in February 2016.
- Management has amended the annual government statement to record the results of HMIC inspections during 2015/16.

Control themes and observations

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

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have reviewed the Annual Governance Statement and can confirm that, as amended, it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the PCC and CC.

Pending the conclusion of our work on the Payroll Enterprise Resource System for Payroll, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix G. In addition to the standard representations, we have requested the following specific representations, for areas where cannot otherwise gain audit assurance:

- Use of a Specialist
  - We have requested representation that Members and management did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and that Members and management are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists;
- Estimates
  - For the estimates for Property, Plant and Equipment and Pension Liabilities we have requested representation from Members and management that the estimates appropriately reflect their intent and ability to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenue and expenses during the year on behalf of the entity; and
- Retirement Benefits
  - We have requested representation from Members and management that the actuarial assumptions underlying the scheme liabilities are consistent with the knowledge Members and management of the business and that all significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

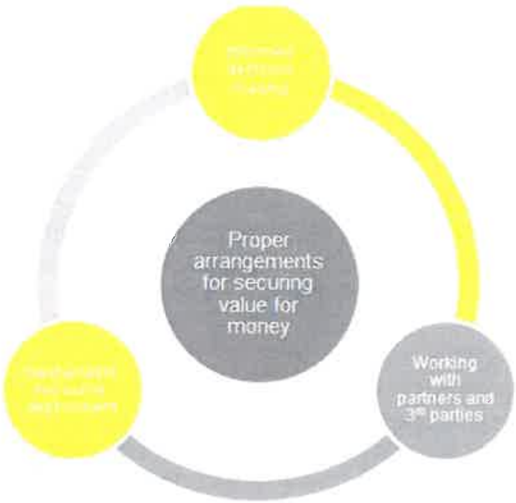
Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

The PCC (Group) is below the threshold which does not require the detailed audit of the consolidation pack.

We will update the Audit Committee verbally on any progress on this area between the date of issue of this report and the meeting on 27 September 2016. At this stage, we have no issues to report to you.

4. Value for money



We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness in their use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

Overall conclusion

We identified one significant risk in relation to these arrangements:

- Deploying resources in a sustainable manner;

We have performed the procedures outlined in our audit plan, focussing on reviewing:

- The key assumptions made within the 2016/17 annual budget; and
- The development of the savings plans; and
- The work of Her Majesty's Inspectorate of Constabulary (HMIC) on its PEEL assessment.

We did not identify any significant weaknesses in the arrangements of the PCC and CC. We have concluded that the PCC and CC is responding well to the financial challenges it is facing. However, achieving savings plans and the budget gap still represent a significant challenge. The PCC and CC need to continue to develop robust plans and deliver savings from its initiatives, and continue to review the levels of reserves to support the PCC's and CC's finances.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Significant risks

The table below presents the findings of our work in response to the risk areas in out audit plan.

VFM risk identified within our audit plan	Impacts arrangements for:	Key findings
Nationally the Police sector has been subject to funding reductions, In the autumn statement in November 2015 the Chancellor announced the funding settlement for police would be better than your previous expectations. The use of the budget support reserve has therefore been reduced. However, there are still cost pressures and the need for savings in both the 2016/17 budget and medium term financial plans (MTFP).	Deploying resources in a sustainable manner;	We consider deploying resources in a sustainable manner to be a risk to the Value for Money Conclusion. To assess this risk we have reviewed the PCC's and CC's revised MTFP as of 10 February 2016 to review: • The key assumptions made within the 2016/17 annual budget; • The development of the savings plans; and • The work of Her Majesty's Inspectorate of Constabulary (HMIC) on its PEEL assessment. **The key assumptions made within the 2016/17 annual budget** The process for setting the PCC's and CC's budget is sound. The precept setting process details the assumptions used which management checks against known practice with other constabularies. Management use scenario planning effectively to provide guidance to the PCC in determining options for budget setting and the level of precept. We concluded that The MTFP identifies the key assumptions expected to underpin the 2016/17 budget. Assumptions include: • Reductions in future levels of Government Grant; • Pay inflation, inflation for other costs; and • Council tax increases, using sensitivity analysis to project the impact of decisions for freezing or increasing council tax by nearly 2% with options for no increase or a 2% increase thereafter; and • The £2.1 million impact from the Government's intention to introduce a reformed State Pension of £144 per week from April 2017. **The development of the savings plans** During 2015, the PCC and CC had based the MTFP on expectations of a 25% reduction in police funding. The Government's December 2015 Police Grant Report noted a reduction of 0.6%. As a result PCC and CC reduced its January 2015 forecast budget gap of £3.2 million to £1.756 million as of 31 March 2020, based on annual 2% council tax increases. However, the gap of £1.756 million is dependent on the delivery of the cumulative savings plans of £6.123 million to 31 March 2020. However, the PC and CC have a record of achieving savings plans, with the MTFP recording £20.8 million saved from collaboration with Suffolk Constabulary and Norfolk only schemes from 2010/11 to 2015/16. Previous internal and external audit work has found governance arrangements in the Programme Management Office to be sound, This provides a good platform for the PCC and CC to achieve the required savings through the outcome based budgeting, Norfolk Local Policing Review and regional collaboration as outlined in the MTFP. The MTFP forecasts usable reserves to fall from £24.5 million as at 31 March 2016 to £16.2 million by 31 March 2020. This is as a result in part of reducing the Budget Support Reserve from £21.4 million to £6.6 million to fund an extensive capital programme in 2061/7. The PCC and CC have identified and are on course to deliver the required £5.431 savings for 2016/17 but will need to keep the level of reserves under review if austerity continues or savings programmes slip. **The work of HMIC on its PEEL assessment.** The HMIC found that Norfolk Constabulary is exceptionally well-placed to face its future financial challenges. The HMIC awarded an outstanding rating in its Autumn 2015 review of how efficient Norfolk Constabulary is at keeping people safe and reducing crime. HMIC rated Norfolk Constabulary as: • Outstanding in its use of resources to meet demand; • Good in its sustainability and affordability of its workforce model; and • Outstanding for the sustainable the Constabulary's financial position is in the short and long term. We have concluded that the PCC and CC is responding well to the financial challenges it is facing. However, achieving savings plans and the budget gap still represent a challenge over the medium term. The PCC and CC need to develop robust plans and deliver savings from its initiatives, consider carefully the impact of any decisions to freeze council tax and continue to review the levels of reserves to support the PCC's and CC's finances.

Other matters to bring to you attention

We noted the following issues as part of our audit, which impact on both the PCC for Norfolk and the CC of Norfolk Constabulary.

Key findings
Brexit: EU Legislation touches all parts of the public sector and the Leave vote may impact on the public sector significantly. It is clear that it will take some time to cut the ties to Brussels but it is not clear what changes can be made before the conclusion of any process of Brexit. The UK Government currently faces a number of distractions that could delay decision making including the potential devolution of administrations continuing to push for further referendums and events overtaking the government and the ability of central government to respond to such events as the private sector starting to move some of their operations abroad as already initiated by some in the Financial services sector. The government is likely to feel under pressure to start delivering palpable signs of the promised benefits whilst tackling the real task of the economy and negotiating exit from the EU. The negotiation will place reliance on the likes of the Cabinet Office, HMT, FCO, BIS, and the Home Office and all of this activity will likely distract from the normal run of business – this will spread to other departments as the task of reviewing legislation and post referendum policy progresses. Financially the implications of Brexit could have a short term impact on the PCC and CC given the implications for Interest Rates and the associated deterioration in returns from both short and long term investments.
New Legislation which infers new powers and responsibilities on the Police and Crime Commissioner (PCC): The previous Home Secretary, now Prime Minister, was keen on expanding and developing the role of the Police and Crime Commissioner. If these proposed changes are enacted in legislation this could impact on the governance of the Constabulary as well as the resources required to meet the new role and responsibilities. Some of the proposed changes include the PCC taking on responsibility for other blue light services in the area such as Fire and Rescue. This was introduced via the Policing and Crime Bill. Another key area of change introduced in the Bill was in relation to the police complaints system. Currently the Chief Constable is responsible for overseeing at a local level the complaints system. However recent discussions at a governmental level have suggested that this role could transfer across to the PCC with the PCC becoming in effect the appellate body for those appeals currently heard by the Chief Constable. This would require additional resource in the Office of the PCC to meet these additional responsibilities.

Appendix A – Uncorrected audit differences

There are no uncorrected audit differences as at the time of the draft report. We will provide a verbal update on audit differences to the Audit Committee on 27th September 2016 when the outstanding items noted at Appendix C will have been completed.

Appendix B – Corrected audit differences

There are no corrected audit differences above the level that we need to report to you as at the time of the draft report. We will provide a verbal update on audit differences to the Audit Committee on 27th September 2016 when the outstanding items noted at Appendix C will have been completed

Appendix C – Outstanding matters

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

Item	Actions to resolve	Responsibility
Management representation letter	Receipt of signed letter of representation	Management and Audit and Scrutiny Committee
Narrative Statement, accounts and Annual Governance Statement.	• Incorporation of EY review comments on disclosure notes • Approval of accounts by Audit and Scrutiny Committee • Accounts re-certified by the chief Finance Officer	EY, management and Audit Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Any other outstanding work	Management and EY to work together to complete any outstanding work following receipt of the final draft version of the financial statements	EY and management
Remaining audit work	• Review of the management controls for the transfer of payroll data in respect of the ERP system • Completion of Debtors and Creditors Testing; • Completion of Cash cut –off testing; • The receipt of a bank confirmation letter; • Disclosure of Related Parties; • Local Government and Police Pension Fund • Completion of Disclosure notes; and • Completion of Manager and Director review procedures.	EY and management
Remaining audit work	Completion of Whole of Government Accounts	EY

Appendix D – Independence

There has been one change in our assessment of independence since our confirmation in our Audit Plan issued to the 10 March 2016 Audit Committee.

We recorded one threat of familiarity in our Audit Plan. Norfolk Police has employed a former member of EY as a Financial Accountant from February 2016, who had previously worked closely with several members of the EY Team, including Assistant Manager Dan Cooke, who we appointed in November 2016 to manage the audit. Their role included preparing working papers for the financial statements audit for the PCC for Norfolk and the CC of Norfolk Constabulary. During 2016, there was an ongoing social interaction with Dan Cooke and so we decided to make changes to our audit team in order to demonstrate our continuing independence. Therefore, your former Manager, Chris Hewitt, has replaced Dan to manage the audit.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any other relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 27 September 2016.

We confirm that we have met the reporting requirements to the PCC and CC, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan submitted to the 10 March 2016 Audit Committee.

Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work - PCC	tbc*	33,825	See below
Total Audit Fee – Code work - CC	15,000	15.000	Not Applicable
Non-audit work	0	0	Not Applicable

*We have undertaken extra work as a result of:

- The review of the Prior Period Adjustments undertaken by the PCC in relation to the PFI Grant and Home Office Top Up Grant (the latter impacting on the CC Single entity financial statements); and
- Later than planned responses to our request for documentation regarding the Enterprise Resource Planning system.

We anticipate a scale fee variation will be necessary, which we will discuss in the first instance with the Chief Finance Officer.

We will update the PCC, CC and the Audit Committee on our proposed fee variation when this has concluded. Any variation to the 2015/16 scale fee is subject to approval by Public Sector Audit Appointments Limited (PSAA).

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix F – Draft audit report

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

Opinion on the Police and Crime Commissioner for Norfolk financial statements

We have audited the financial statements of the Police and Crime Commissioner for Norfolk for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- *Police and Crime Commissioner for Norfolk and Group Movement in Reserves Statement;*
- *Police and Crime Commissioner for Norfolk and Group Comprehensive Income and Expenditure Statement;*
- *Police and Crime Commissioner for Norfolk and Group Balance Sheet;*
- *Police and Crime Commissioner for Norfolk and Group Cash Flow Statement;*
- *Police and Crime Commissioner for Norfolk Police Pension Fund Account Statements*; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 3, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Norfolk and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Norfolk and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

Police and Crime Commissioner's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Police and Crime Commissioner for Norfolk had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Norfolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Norfolk has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Kevin Suter (senior statutory auditor)
For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
September 2016

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

Opinion on the Chief Constable of Norfolk Constabulary financial statements

We have audited the financial statements of the Chief Constable of Norfolk Constabulary for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Norfolk Constabulary Movement in Reserves Statement;
- Chief Constable of Norfolk Constabulary Comprehensive Income and Expenditure Statement;
- Chief Constable of Norfolk Constabulary Balance Sheet;
- Chief Constable of Norfolk Constabulary Cash Flow Statement
- Chief Constable of Norfolk Constabulary Pension Fund Accounts; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 3, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Norfolk Constabulary's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Norfolk Constabulary as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

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

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on the Chief Constable of Norfolk Constabulary's arrangements for securing economy, efficiency and effectiveness in the use of resources

Chief Constable of Norfolk Constabulary's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Chief Constable of Norfolk Constabulary had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable of Norfolk Constabulary put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Chief Constable of Norfolk Constabulary has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Kevin Suter (senior statutory auditor)
For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
September 2016

Appendix G – Management representation letter

Audit of the Group and PCC Single Entity Financial Statements

[To be prepared on the PCC for Norfolk's letterhead]

[Date]

Kevin Suter
Executive Director
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Dear Kevin,

The Police and Crime Commissioner for Norfolk and Group
2015/16 Letter of Representations

This letter of representations is provided in connection with your audit of the consolidated and single entity financial statements of the Police and Crime Commissioner for Norfolk (PCC and Group) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the PCC and Group financial position of the Police and Crime Commissioner for Norfolk as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements for the Group and PCC single entity, in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We acknowledge, as members of management of the Group and PCC single entity, our responsibility for the fair presentation of the consolidated Group and PCC single entity financial statements. We believe the consolidated Group and PCC single entity financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the consolidated Group and PCC single entity in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free from material misstatements, including omissions. We have approved the consolidated Group and PCC single entity financial statements.

3. The significant accounting policies adopted in the preparation of the consolidated Group and PCC single entity financial statements are appropriately described in the consolidated Group and PCC single entity financial statements.

4. As members of management of the Group and PCC single entity, we believe that the consolidated Group and PCC single entity have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 for the consolidated Group and PCC single entity, that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the consolidated Group and PCC single entity financial statements may be materially misstated as a result of fraud.

3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the consolidated Group and PCC single entity (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the consolidated Group and PCC single entity financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the consolidated Group and PCC single entity financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated Group and PCC single entity financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated Group and PCC single entity financial statements.

3. We have made available to you all minutes of the meetings of the Accountability and Performance Panel, Audit Committee and Collaboration Panel (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year up to the 27 September 2016.

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

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

6. We have disclosed to you, and the consolidated Group and PCC single entity has complied with, all aspects of contractual agreements that could have a material effect on the consolidated Group and PCC single entity financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated Group and PCC single entity financial statements.

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

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

F. Subsequent Events

1. Other than described in Note 35 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group transactions.

H. Ownership of assets

1. Except for assets capitalised under finance leases, the consolidated Group and PCC single entity has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the consolidated Group and single entity PCC's assets, nor has any asset been pledged as collateral. All assets to which the consolidated Group and PCC single entity has satisfactory title appear in the balance sheets.

I. Reserves

1. We have properly recorded or disclosed in the consolidated Group and PCC single entity financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the Property, Plant and Equipment and Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated Group

and PCC single entity financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Estimates for Property, Plant and Equipment, Pension Liabilities and Accrual Estimates.

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We confirm that the significant assumptions used in making the estimates for Property, Plant and Equipment, Pension Liabilities and Accrual estimates reflect our intent and ability to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenue and expenses during the year on behalf of the entity.

3. We confirm that the disclosures made in the consolidated Group and PCC single entity financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated Group and PCC single entity financial statements due to subsequent events

L. Retirement Benefits.

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our know ledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours Sincerely,

____

John Hummersone
Chief Finance Officer

I confirm that this letter has been discussed and agreed at a meeting with of the Audit Committee, attended by the Police and Crime Commissioner for Norfolk on 27 September 2016.

____

Lorne Green
The Police and Crime Commissioner for Norfolk

Audit of the Chief Constable of Norfolk Constabulary only financial statements

[To be prepared on the Chief Constable of Norfolk Constabulary's letterhead]

[Date]

Kevin Suter
Executive Director
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Dear Kevin,

The Chief Constable of Norfolk Constabulary 2015/16 Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of the Chief Constable of Norfolk Constabulary ("the CC") for the year ended 31st March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Chief Constable of Norfolk Constabulary as of 31st March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

2. We acknowledge, as members of management of the Chief Constable of Norfolk Constabulary, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Chief Constable of Norfolk Constabulary, in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Chief Constable of Norfolk Constabulary, we believe that the Constabulary has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Force (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We are not aware of any non-compliance with laws and regulations.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Accountability and Performance Panel, Audit Committee and Collaboration Panel (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year up to the 27 September 2016.

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

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

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

E. Liabilities and Contingencies

4. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

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

6. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than described in Note 8 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

H. Reserves

1. We have properly recorded or disclosed in the financial statements the unusable reserves.

Representations required in specific circumstances

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 Valuation assertions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Estimates in respect of IAS 19 actuarial assumptions

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.

2. We confirm that the significant assumptions used in making the estimates noted above appropriately reflect our intent.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours Sincerely,

John Hummersone
Chief Finance Officer

I confirm that this letter has been discussed and agreed at a meeting with of the Audit Committee, attended by the Chief Constable of Norfolk on 27 September 2016.

Simon Bailey
The Chief Constable of Norfolk Constabulary

Appendix H – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually of in aggregate, that indicated there could be doubt about the PCC for Norfolk's and the CC of Norfolk Constabulary's ability to continue as a going concern for the 12 months from the date of our report.
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	Audit Results Report
Fraud ► Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	Audit Results Report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	Audit Results Report

Required communication	Reference
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Annual Audit Letter/Audit Results Report
Group audits ► An overview of the type of work to be performed on the financial information of the components ► An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ► Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ► Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit Plan Audit Results Report
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	Audit Plan Audit Results Report Annual Audit Letter

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OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

NORFOLK CONSTABULARY
Our Priority is You

Audit Committee
Forward Work Plan

2 December 2016

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 27th September 2016	
Internal Audit 2016/17 Plan update 2017/18 Internal Audit Plan	Reports from Head of Internal Audit
External Audit 2015/16 Accounts Annual Audit Letter	Report from Director, E&Y
Treasury Management Update 2015/16	Report from CFO
Strategic Risk Register Update	Report from CExec and CC
Forward Work Plan	Report from CFO

xx March 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 2 December 2016	
Treasury Management Strategy 2017/18	Report from CFO
Internal Audit 2016/17 Plan update 2017/18 Internal Audit Plan	Report from Head of Internal Audit
External Audit Plan 2017/18	Report from Director, E&Y
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

xx June 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx March 2017	
Internal Audit 2017/18 Plan update 2016/17 Head of Internal Audit Annual Report Follow Up – Previous Audit Reports	 Report from Head of Internal Audit (TIAA) Report from Head of Internal Audit (TIAA) Report from Head of Internal Audit (TIAA)
Final Accounts 2016/17 – Accounting Policies	Report from CFO
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

xx July 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx June 2017	
Draft Annual Governance Statement for 2016/17	Report from CFO
Draft Statements of Accounts 2016/17 - Chief Constable - PCC/Group	From CFO

xx September 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx July 2017	
Internal Audit 2017/18 Plan update	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

Report Author
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