

Chief Constable

Statement of Accounts 2014/15

Our Financial Performance



NORFOLK
CONSTABULARY
Our Priority is You

CONTENTS

EXPLANATORY FOREWORD	ii
FINANCIAL REVIEW	vi
INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORFOLK	xii
STATEMENT OF RESPONSIBILITIES	xv
MOVEMENT IN RESERVES STATEMENT	1
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	3
BALANCE SHEET	5
CASH FLOW STATEMENT	6
NOTE TO THE FINANCIAL STATEMENTS	7
NORFOLK POLICE OFFICER PENSION FUND ACCOUNT	48
GLOSSARY OF TERMS	51

EXPLANATORY FOREWORD

Introduction

On 15 September 2011 the Police Reform and Social Responsibility Act 2011 (the Act) received Royal Assent in Parliament representing a significant change in 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, responsible for the operational policing of Norfolk, were established as separate legal entities.

The Act provided that on 21 November 2012, all existing rights, assets and liabilities transferred from the Police Authority to the PCC. This included the transfer of all police staff to the PCC and was referred to as the “Stage 1” transfer. The Act also provided for a second “Stage 2” transfer which referred to the subsequent management of certain staff from the PCC to the Chief Constable. The “Stage 2” transfer is designed to allow PCCs and CCs the freedom to make arrangements about how their respective functions will be discharged in the future.

The Home Secretary directed that the “Stage 2” transfer was completed by 1 April 2014. This has taken place, and all staff, except those working directly in the Office of the PCC, have transferred to the corporation sole of Chief Constable.

Transfer “Stage 2” impacts upon corporate governance by the PCC and CC and a number of the governance mechanisms have been reviewed so that appropriate arrangements are in place from 1 April 2014 onwards.

The PCC’s function is to hold the Chief Constable to account in order to secure the maintenance of an efficient and effective police force. For accounting purposes, the PCC for Norfolk is the parent entity of the CC for Norfolk Constabulary and together they form the PCC for Norfolk Group.

The Revenue Budget and Capital Programme for 2014/15 were approved by the PCC in February 2014. Stephen Bett was elected as the Norfolk Police and Crime Commissioner (PCC) and is ultimately responsible for the Revenue Budget and Capital Programme for 2014/15. The responsibilities of the PCC, determined by the Police Reform and Social Responsibility Act 2011, include:

- Publishing a Police and Crime Plan
- Holding the Chief Constable to account for the running of the force
- Agreeing the police budget for the year and the level of the precept
- Working with partner organisations e.g. criminal justice agencies, crime reduction and community safety partners
- Publishing an Annual Report setting out progress against strategic priorities in the Police and Crime Plan.

The PCC is accountable to the Norfolk Police and Crime Panel which scrutinises the actions and decisions of the Commissioner. Formal 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.

All the financial transactions incurred during 2014/15 for the policing of Norfolk have been recognised and recorded within the PCC Group Statement of Accounts, which sets out the overall financial position for the year ending 31 March 2015.

The foreword provides an overview of the new accounting arrangements and outlines the financial performance during 2014/15.

The Statement of Accounts for the CC for the 2014/15 financial year are set out on the following pages. Information on the accounts is presented as simply and clearly as possible. However, due to the technical nature of the accounts, an explanation of the use of accounting terms is provided at the end of this document.

Impact 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 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 earlier, 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-to-day direction and control of the force and the overarching strategic control exercised by the PCC.

Therefore it is felt that the expenditure and income associated with day-to-day direction and control and the PCC's funding to support the Chief Constable is best 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.

The Main Accounting Statements

The accounts are set out in accordance with the Accounting Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities.

The accounts also reflect the following frameworks and regulations:

- The Police Reform and Social Responsibility Act 2011 (the Act)
- Financial Regulations for the PCC and CC
- The scheme of governance (setting out delegations/designations) from the PCC to the Chief Constable.

The Accounts of the Chief Constable for Norfolk for 2014/15, which will be the basis for the Audit Opinion, are set out on Pages **ii to 50** and consist of;

- **Explanatory Forward**
This provides an overview of the accounting arrangements 2014/15.
- **Financial Review**
This outlines the revenue spending in 2014/15, major changes to the Accounts from 2013/14 and future prospects for the CC.
- **Audit Opinion**
The statutory opinion for the Statement of Accounts.

- **Statement of Responsibilities**

This includes the financial responsibilities of the CC and the Chief Finance Officer (CFO) to the CC.

The Accounting Statements consist of:

- **Movement in Reserves Statement**

This shows the movement in the year between the General Fund and the Unusable Reserves. The 'Surplus (or deficit) on the provision of services' line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

- **The Comprehensive Income and Expenditure Statement**

This statement recognises the financial resources belonging to the PCC consumed at the request of the CC in exercising day to day direction and control of the police force for the financial year, as opposed to the overall cost of policing as shown in the PCC and Group Accounts. The CC's Comprehensive Income and Expenditure Statement has been prepared using the principles set out in the Code of the Cost of Services level and using headings from CIPFA Service Reporting Code of Practice (SerCOP), which describes the areas of policing undertaken during 2014/15.

- **The Balance Sheet**

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the CC. The net assets (assets less liabilities) are matched by the Unusable Reserves held by the CC which includes reserves that hold timing differences shown in the Movements in Reserves Statement line 'Adjustment between accounting basis and funding basis under regulations'.

- **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 2014/15 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.

- **Notes to the Accounts (including Statement of Accounting Policies)**

The notes that support the core financial statements and the policies adopted in compiling the Accounts. The accounting policies explain the main principles used in producing the figures in the accounts. Many of the accounting policies are specified by the Code and this ensures that the accounts across the country are prepared on a consistent and comparable basis.

- **Police Pension Fund Supplementary Statement**

This statement provides information on payments made and sources of income for the two pension schemes operated for Police Officers.

FINANCIAL REVIEW**Revenue Budget and Spending**

The total 2014/15 Revenue Budget allocated to the CC for operational policing and support functions was £147.731 million; actual expenditure amounted to £145.797 million. The £1.934 million underspend was transferred to the PCC's earmarked reserves. The breakdown of expenditure is detailed below:

	Final Revised Budget £000	Outturn £000
Joint Collaborative Units	53,389	52,451
Command & Support	79,468	78,344
Departments	7,173	7,703
Corporate	7,701	7,299
Net Expenditure on Police Services	147,731	145,797
Net Underspend		1,934
	147,731	147,731

Actual income and expenditure for 2014/15, summarised by the principal Service Departments recorded in the budget reports for each year, are shown in the table below;

Income and Expenditure 2014/15	Joint Collaborative Units £000	Commands & Support £000	Departments £000	Corporate £000	Total £000
Fees, charges and other service income	(845)	(3,641)	(960)	(1,887)	(7,333)
Government grants	(109)	(987)	(558)	(10,161)	(11,815)
Other grants & contributions	(29)	(293)	(15)	0	(337)
Total Income	(983)	(4,921)	(1,533)	(12,048)	(19,485)
Employee expenses	41,747	78,185	2,485	5,621	128,038
Other service expenses	11,687	5,080	6,751	13,726	37,244
Total Expenditure	53,434	83,265	9,236	19,347	165,282
Net Expenditure	52,451	78,344	7,703	7,299	145,797

The difference between the Cost of Policing within the Comprehensive Income and Expenditure Statement of £154.055m and the outturn figure of £145.797m is a credit of £8.258m which is made up of the following transactions;

	£000
PCC/CC movements between outturn and CIES	4,979
Financing and Investment Income & Expenditure	
Pension Interest Cost and Expected Return on Pension Assets	57,121
(Surplus) or Deficit on the Provision of Services	
Movement on the General Fund Balance	(70,358)
Total Difference	(8,258)

Reserves

The reserves as at 31st March 2015 comprise of unusable Reserves of £0.480m and a Pension Reserve liability of £1,521.524m. These are shown in the balance sheet on page 5, in the movement in reserves statement on pages 1 and 2 and the related note 10 on pages 19 to 21.

Accounting Policies

The annual financial statements of government departments and other public sector bodies are prepared using International Financial Reporting Standards (IFRS), adapted as necessary for the public sector, in order to bring benefits of consistency and comparability between financial reports in the global economy, and to follow private sector best practice.

The CC has prepared the financial statements for 2014/15 in accordance with IFRS.

The CC's accounting policies are fully explained on pages 8 to 14.

Pensions Deficit

The accounts reflect the underlying commitment that the CC has to pay future retirement benefits for employees, as required by IAS19. As a result, the estimated pension liability, measured on an actuarial basis, is included in the Balance Sheet, effectively reducing the stated Net Worth of the CC by £1,521.524m.

There is a neutral impact on the Comprehensive Income and Expenditure Statement reported for the year as the effect of IAS19 is reversed through the use of a pension reserve. Further information on this is included in the Accounting Policies and the notes to the Comprehensive Income and Expenditure Statement and Balance Sheet.

Financial Commitments

PFI

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 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.

Six Police Investigation Centres (PICs) were opened during 2011. The contract is under a PFI arrangement for which Norfolk and Suffolk 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 availability of the site and provision and delivery of services within. At the end of this term the properties revert to the 2 PCCs. Norfolk and Suffolk 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%. There is also an arrangement with Cambridgeshire Constabulary by which one third of the running costs of the Kings Lynn PIC are recharged to Cambridgeshire for the use of the cells within.

The services element of these arrangements is recognised in the CC accounts. Further details can be found at note 17 pages 31 to 33.

Project Athena

Athena is a collaborated police IT project which will be delivered by Northgate Public Services. Norfolk is one of seven forces in the south east of England who will contribute a total of £32 million to the scheme. The single Athena IT system aims to link investigations, intelligence and information about defendants across all member forces to improve front line policing whilst saving time and money. Norfolk is expected to go live with Athena from October 2015.

Major Changes and Future Developments in Service Delivery

The economic position for the public sector, including the police, remains a challenging one, with austerity measures forecast to continue to reduce government funding to the sector. The Comprehensive Spending Review (CSR) issued in December 2010 (covering the period 2011-12 to 2014-15) levied significant grant reductions on the police (20% in real terms), which was then further compounded in June 2013, by the Spending Review 2013 (SR2013). This review established the broad parameters for 2015-2016 and was then clarified in the settlement from the Home Office as part of the 2015-2016 budgets. As a result, there was a reduction of 5.1% in Police grant funding in 2015-2016.

Given the above information and other financial assumptions, for example on inflation and precept setting, the Medium Term Financial Plan (MTFP) covering the five financial years 2015-2016 to 2019-2020 was approved by the PCC. It shows a gross recurring deficit of £26m by 2019-2020, which reduces to approximately £10m following inclusion of the approved savings plans over the MTFP period.

The Constabulary continues to work with the PCC to develop sustainable plans, appropriate use of reserves, and models of operational policing that will contribute to bridge the remaining budget gap.

Opportunities to deliver additional savings through continued work with collaborative partners including Suffolk Constabulary and other forces in the eastern region, as well as other local partners, are being considered.

Following the recent General Election, the majority Conservative Government has launched the Spending Review 2015 and intends for the budget to return to surplus by 2019/20. Unprotected departments have been asked to model real terms reductions of 25% and 40%. This will result in further reductions in government grant funding to the police over and above what has already been planned for. The Home Office has launched a consultation on changes to the national police funding which they propose to implement for 2016/17. If Norfolk is a 'loser' in the new formula allocations this will add further to the financial challenge in the medium term.

The MTFP approved in February 2015 will be updated periodically to reflect the financial implications arising from, for example, the Spending Review in autumn 2015, and will form the basis for discussion on the steps necessary to maintain financial stability.

Annual Governance Statement

The Accounts and Audit Regulations 2011 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. The AGS can be found on the CC's website at www.norfolk.police.uk.

Value for Money (VFM)

The PCC and CC have a responsibility to put in place proper arrangements to secure VFM in the use of resources and to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control. The Group are required to satisfy the following principles which are set out in HM Treasury's Managing Public Money guidance:

- The process for allocating resources against desired outcomes is transparent and based on clear, quantified evidence.
- Risks to performance, improving processes and productivity are assessed. This is used to target improvement activity or develop contingency plans.
- Services and support functions are tested against appropriate benchmarks to identify and tackle excessive costs or weak performance.
- Public demand for services is understood and quantified, and informs deployment of staff.
- Staff are used efficiently. Programmes to minimise waste and increase employee engagement are in place to support this (most likely through Continuous Improvement).
- End-to-end operational processes are focused on delivering for the customer, with data used to demonstrate this. Processes are streamlined, non-bureaucratic and efficient.
- Goods and services are procured and supply contracts are then managed in a way that maximises value, including through taking advantage of central or collaborative procurement where appropriate.
- Data is fit for intended purpose and is used and published routinely, providing clear line of sight between consumption of resources, production of outputs, and realisation of outcomes.

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 CC 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 Chief Constable for Norfolk, Building 1, Jubilee House, Falconers Chase, Wymondham, NR18 0WW.

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORFOLK

Opinion on the Chief Constable for Norfolk financial statements

We have audited the financial statements of the Chief Constable of Norfolk for the year ended 31 March 2015 under the Audit Commission Act 1998 as transitionally saved). The financial statements comprise the Chief Constable of Norfolk Movement in Reserves Statement, the Chief Constable of Norfolk Comprehensive Income and Expenditure Statement, the Chief Constable of Norfolk Balance Sheet, the Chief Constable of Norfolk Cash Flow Statement, the related notes 1 to 22 and the Chief Constable for Norfolk Pension Fund Account Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Chief Constable of Norfolk in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of 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 Statement of Accounts set out on page xv, 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 2014/15, 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 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 2014/15 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 as at 31 March 2015 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 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 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 does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Chief Constable to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Chief Constable and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014. We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable 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'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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, *the Chief Constable of Norfolk* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Norfolk in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil A Harris
Audit Director

For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton

September 2015

STATEMENT OF RESPONSIBILITIES

The Chief Constables Responsibilities

The Chief Constable is required to:

- Make arrangements for the proper administration of his financial affairs and to secure that one of his officers (Chief Finance Officer) has the responsibility for the administration of those affairs;
- Manage their affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure that there is an adequate annual governance statement;
- Approve the Statement of Accounts and authorise for issue.

I approve the Statement of Accounts

Date: 21st September 2015

Signature:
Simon Bailey
Chief Constable

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Chief Constable of Norfolk, in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts present a true and fair view of the financial position of the Chief Constable at the accounting date and of the income and expenditure for the year ended 31 March 2015.

Date: 21st September 2015

Signature:
John Hummersone CPFA
Chief Finance Officer for the Chief Constable for Norfolk

MOVEMENT IN RESERVES STATEMENT

The statement shows the movement in the year on the different reserves held, 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 services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	2013/14		
	General Fund Balance £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2013	0	(1,332,834)	(1,332,834)
Surplus or (Deficit) on Provision of Services	(76,111)	0	(76,111)
Other Comprehensive Expenditure and Income		113,066	113,066
Total Comprehensive Expenditure and Income	(76,111)	113,066	36,955
Adjustments between accounting basis & funding basis under regulations	76,111	(76,111)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	0	36,955	36,955
Transfers to / (from) Reserves	0	0	0
Increase / Decrease in Year	0	36,955	36,955
Balance at 31 March 2014	0	(1,295,879)	(1,295,879)

	2014/15		
	General Fund Balance £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2014	0	(1,295,879)	(1,295,879)
Actuarial Pension Opening Balance adjustment		(428)	(428)
Restated Opening Balance as 31 March 2014	0	(1,296,307)	(1,296,307)
Surplus or (Deficit) on Provision of Services	(70,358)	0	(70,358)
Other Comprehensive Expenditure and Income		(155,339)	(155,339)
Total Comprehensive Expenditure and Income	(70,358)	(155,339)	(225,697)
Adjustments between accounting basis & funding basis under regulations	70,358	(70,358)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	0	(225,697)	(225,697)
Transfers to / (from) Reserves	0	0	0
Increase / Decrease in Year	0	(225,697)	(225,697)
Balance at 31 March 2015	0	(1,522,004)	(1,522,004)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement recognises the financial resources belonging to the PCC consumed at the request of the CC in exercising day to day direction and control of the police force for the financial year, presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Comprehensive Income and Expenditure Statement include the intra-group transfer to the PCC's Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Account	Current Year Year ending 31 March 2015			Previous Year Year ending 31 March 2014		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	0	0	0	£000	£000	£000
Local Policing	74,558	(908)	73,650	78,213	(1,063)	77,150
Dealing with the Public	11,761	(217)	11,544	11,749	(128)	11,621
Criminal Justice Arrangements	16,848	(1,472)	15,376	17,602	(1,261)	16,341
Road Policing	10,211	(2,761)	7,450	10,637	(1,897)	8,740
Special Operations	4,879	(1,246)	3,633	4,925	(437)	4,488
Intelligence	5,676	(89)	5,587	6,085	(70)	6,015
Special Investigations	32,706	(929)	31,777	32,471	(574)	31,897
Investigative Support	3,507	(26)	3,481	3,800	(20)	3,780
National Policing	5,975	(4,671)	1,304	3,914	(3,845)	69
Corporate and Democratic Core	252	1	253	268	1	269
Cost of Policing Services	166,373	(12,318)	154,055	169,664	(9,294)	160,370
Intra Group Adjustment			(140,818)			(142,326)
Net Cost of Policing			13,237			18,044

Comprehensive Income and Expenditure Account - continued	Current Year Year ending 31 March 2015			Previous Year Year ending 31 March 2014		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Financing and Investment Income & Expenditure						
Pensions interest cost and expected return on pensions assets	62,920	(5,799)	57,121	63,637	(5,570)	58,067
	62,920	(5,799)	57,121	63,637	(5,570)	58,067
(Surplus) or Deficit on the Provision of Services			70,358			76,111
Remeasurements of the net defined benefit liability/(asset)			155,339			(113,066)
Other Comprehensive Income and Expenditure			155,339			(113,066)
Total Comprehensive Income and Expenditure			225,697			(36,955)

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the CC. As stated the CC does not hold any assets or reserves at the year-end. The CC does however hold employment liabilities, which is associated with the CC's day to day direction and control of police officers and staff, the costs of which are shown in the Comprehensive Income and Expenditure Statement. The net liabilities are underwritten by the PCC's financial guarantee, which forms part of the intra-group adjustment.

Balance Sheet	Financial Statements Note/Page No.	31 March 2015 £000	31 March 2014 £000
Current Liabilities			
Short Term Creditors	8 / 19	(480)	(473)
Long Term Liabilities			
Liability Related to Defined Benefit	19 / 35 to 44	(1,521,524)	(1,295,406)
Net Assets		(1,522,004)	(1,295,879)
Financed By:			
Unusable Reserves			
Accumulated Absences Account	10 / 19 & 20	(480)	(473)
Pension Reserve	10 / 19 to 21	(1,521,524)	(1,295,406)
Total Reserves		(1,522,004)	(1,295,879)

The unaudited accounts were issued on 30 June 2015 and the audited accounts, as amended following audit, were authorised for issue on 21 September 2015.

John Hummersone CPFA
Chief Finance Officer for the Chief Constable for Norfolk
21st September 2015

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the CC 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 2014/15 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.

Cash Flow Statement	Financial Statements Note/Page No.	31 March 2015 £000	31 March 2014 £000
Net (surplus) or deficit on the provision of services		70,358	76,111
Adjustments to net surplus or deficit on the provision of services for non cash movements	11 / 21	(70,358)	(76,111)
Net Cash Inflows from Operating Activities		0	0
Investing Activities		0	0
Financing Activities		0	0
Net (Increase) / Decrease in Cash and Cash Equivalents		0	0
Cash and cash equivalents at the beginning of the reporting period		0	0
Cash and cash equivalents at the end of the reporting period		0	0

NOTES TO THE FINANCIAL STATEMENTS

<u>Contents</u>	<u>Page No</u>		<u>Page No</u>
1. Accounting Policies	8	10. Unusable Reserves	19
2. Accounting Standards that have been issued but have not yet been adopted	15	11. Cash Flow Statement – Operating Activities	21
3. Critical judgements in applying accounting policies	15	12. Amounts reported for resource allocations decisions	22
4. Intra Group Funding arrangements between PCC and CC	16	13. Officers' remuneration	28
5. Assumptions made about the future and other sources of information	17	14. External Audit Fees	30
6. Events after the reporting period	17	15. Grant Income	30
7. Adjustments between accounting basis and funding basis under regulations	17	16. Related parties	31
8. Creditors	19	17. Private Finance Initiatives	31
9. Usable Reserves	19	18. Termination Benefits	34
		19. Defined benefit pension scheme	35
		20. Partners Against Crime Taskforce (PACT)	44
		21. Contingent liabilities	45
		22. Jointly controlled operations	46

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A. GENERAL PRINCIPLES

The Statement of Accounts summarises the CC's transactions for the 2014/15 financial year and the position at the year-end of 31st March 2015. The accounting policies are the specific principle, bases, conventions, rules and practices applied by the CC when preparing and presenting the financial statements.

The CC is required to prepare the annual Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 issued by the Chartered Institute of Public Finance and Accounting (CIPFA), the Accounts and Audit Regulations and the Service Reporting Code of Practice.

The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

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.

The accounting policies set out in the following paragraphs reflect the powers and delegations to the CC from the PCC and are consistent with the Group's accounting policies.

B. 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 Constables Accounts show as income the funding guarantee provided by the Commissioner to the Chief Constable, 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.

C. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Income from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Income from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Supplies are recorded as expenditure when they are consumed. Where there are gaps between the date supplies are received and their consumption, where material, they are carried as inventories on the Group Balance Sheet.
- Expenses in relation to services received (including services provided by officers and employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Group Balance Sheet.

D. EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the financial performance.

E. EMPLOYEE BENEFITS**Benefits Payable during Employment**

Short-term employee benefits are those that fall due wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the CC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) 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. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs. The accumulated cost is carried to the CC's Balance Sheet where it is held as a liability and matched with an unusable reserve.

Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. This policy applies to members of police staff (including police community support officers) only.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the CC to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Police officers and staff have the option of belonging to one of two separate pension schemes relevant to them:

- The Local Government Pension Scheme (the Pension Fund) for Police Staff and operated by the Norfolk Pension Fund; and
- The Police Officers' Pension Scheme operated by the Home Office.

Both schemes provided defined benefit to members (retirement lump sums and pensions), earned as employees work for the CC.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a funded defined benefits scheme:

- The liabilities of the Norfolk Pension Fund attributable to the CC are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Norfolk Pension Fund attributable to the CC are included in Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate

- Unitised securities – current bid price
- Property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailments whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the CC – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pension 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Norfolk Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the CC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to 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.

The amounts attributable, as advised by the actuary, were apportioned for 2013/14 between the PCC and CC on the basis of the employer's pension contributions paid by each party. The contributions for the CC equated to 99% of the total employers contributions. There were no employees with long service in the PCC's office which would skew the apportionment.

Under transfer 'stage 2' arrangements the PCC and CC became separate employers from 1 April 2014 and thus the actuary was able to provide separate actuarial valuation reports for 2014/15. Although the opening balances for the Group shown in disclosure note 19 on pages 35 to 44 remain unchanged the opening balances for the PCC and CC are those on an actuarial basis rather than those carried forward from the previous year's estimate.

Police Officer Pension Scheme

This scheme is accounted for as a defined benefit scheme, is operated on a "pay as you go" basis by the Home Office and has no assets. The treatment of the scheme in the accounts is as described for the Local Government Pension Scheme above other than for the 'expected return on assets'.

The Home Office funding arrangements require pensioner payments and officer contributions to be paid from and into a separate police pensions account. The CC also contributes 24.2% of police officer pensionable pay to this account and a capital payment for any ill-health pensions awarded. The CC continues to fund injury awards from revenue.

This account is balanced at the 31 March and any shortfall is paid by the Home Office. Details of the Police Pension Fund Account are shown on page 48 to 50.

Discretionary Benefits

The CC 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 within the Group Accounts.

F. 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, but 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.

G. FOREIGN CURRENCY TRANSLATION

Where the CC has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are converted at the spot exchange rate at 31 March. Resulting gains and losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

H JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations are activities undertaken by the CC in conjunction with other bodies, which involve the use of the resources of the CC or the other body, rather than the establishment of a separate entity. The CC debits and credits the Comprehensive Income and Expenditure Statement with the expenditure incurred and the share of income earned from the activity of the operation.

I. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the CC status as a multi-functional, democratic organisation.

This category is defined in SeRCOP and accounted for as a separate heading in the Comprehensive Income and Expenditure Statement, as part of Cost of Policing Services.

J. 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 CC is deemed to control the services the amounts payable each year to the PFI operators for the fair value of the services received during the year and the lifecycle replacement costs are debited to the relevant service in the CC's Comprehensive Income and Expenditure Statement for the following PFI contracts

- Operations and Communications Centre (OCC)
- Police Investigations Centres (PIC).

K. CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the CC 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 CC. Contingent liabilities also arise in circumstances where a provision would otherwise be made by the PCC 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 the notes to the accounts.

L. RESERVES

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. The CC cannot hold usable reserves. However, unusable reserves are kept to manage the accounting processes for retirement and employee benefits. These reserves are explained in the relevant policies.

M. VALUE ADDED TAX (VAT)

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. All VAT was recoverable during 2013/14 and 2014/15.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

In 2015/16 adoption of the amendments to the following may be required to be reported;

- IFRS 13 fair value Measurements (May 2011)
- IFRIC 21 Levies
- Annual Improvements to IFRCs (2011 to 2013 Cycle). The issues included are:
 - IFRS 1 Meaning of effective IFRSs
 - IFRS 3 Scope exceptions for joint ventures
 - IFRS 13 Scope of paragraph 52 (portfolio exception)
 - IAS 40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES

In applying the accounting policies set out in pages 8 to 14, the Chief Constable has had to make the following judgements about complex transactions or those involving uncertainty about future events.

- Asset Recognition
 1. 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.
 2. 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.
- 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 2015/16 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.

- 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.
- KPMG were contracted to independently provide PFI accounting models for both the OCC and PIC schemes to calculate future liabilities for interest and capital repayments. These are reviewed annually with any change effecting current year and future year charges.

4. INTRA-GROUP FUNDING ARRANGEMENT BETWEEN THE PCC AND CHIEF CONSTABLE

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

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. Operational debtors and creditors are also held on the Chief Constable's Balance Sheet with all other assets and liabilities 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 adds to the carrying value of the Pensions Liability and the Accumulated Absences Liability.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Statement of Accounts requires the CC to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for expenditure and income. However, the nature of estimation means that actual outcomes could differ from estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown within the relevant section of the accounts as follows;

- LGPS and police pension actuarial assumptions - see note 19 and tables on pages 35 and 44.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30th June 2015. Events taking place after this date are not reflected in the financial statements or notes.

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which meant that for all Police Pension Scheme 1987 cases where pension entitlements were drawn between 1 December 2001 and 1 December 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the majority of the necessary payments by April 2016. The Home Office has agreed that they will provide full reimbursement of the payments made. There has therefore been no impact on the financial statements for 2014/15.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the CC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the CC to meet future revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the CC are required to be paid and out of which all liabilities of the CC are to be met, except to the extent that the statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance, therefore summarised the resources that the CC is statutorily empowered to spend on services at the end of the financial year.

Usable Reserves 2014/15	General Fund Balance £000	Movement in Unusable Reserves £000
<u>Adjustments primarily involving the Pensions Reserve:</u>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	92,019	(92,019)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,668)	21,668
<u>Adjustments primarily involving the Accumulated Absences Account:</u>		
Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	(7)
Total Adjustments	70,358	(70,358)

Usable Reserves 2013/14 (Comparator)	General Fund Balance £000	Movement in Unusable Reserves £000
<u>Adjustments primarily involving the Pensions Reserve:</u>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	96,667	(96,667)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,514)	20,514
<u>Adjustments primarily involving the Accumulated Absences Account:</u>		
Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(42)	42
Total Adjustments	76,111	(76,111)

8. CREDITORS

The balance of Creditors is made up of the following elements which relates to the amount accrued at the end of the year in respect of accumulated absences. See also the Accumulated Absences Account Reserve at note 10 on page 19 and 20.

	31 March 2015 £000	31 March 2014 £000
Other Entities and Individuals	480	473
Total Creditors	480	473

9. USABLE RESERVES

The CC is not able to hold usable reserves - see Movement in Reserves Statement on pages 1 and 2.

10. UNUSABLE RESERVES

Movements in the CC's unusable reserves are detailed in the below tables – see also Movement in Reserves Statement on pages 1 and 2;

Unusable Reserves	31 March 2015 £000	31 March 2014 £000
Accumulated Absences Account	(480)	(473)
Pensions Reserve	(1,521,524)	(1,295,406)
Total Unusable Reserves	(1,522,004)	(1,295,879)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	2014/15 £000	2013/14 £000
Balance at 1 April	(473)	(515)
year	473	515
Amounts accrued at the end of the current year	(480)	(473)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)	42
Balance at 31 March	(480)	(473)

Pensions 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 CC accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns of any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the CC makes employer's contributions to pension funds or eventually pay for any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the CC has 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.

Pensions Reserve	2014/15 £000	2013/14 £000
Balance at 1 April	(1,295,406)	(1,332,319)
Actuaries opening balance adjustment	(428)	
Restated Balance at 1 April	<u>(1,295,834)</u>	
Actuarial gains and (losses) on pension assets and liabilities	(155,339)	113,066
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(92,019)	(96,667)
Employer's pension contributions and direct payments to pensioners payable in the year	21,668	20,514
Balance at 31 March	(1,521,524)	(1,295,406)

11. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

	2014/15		2013/14	
	£000	£000	£000	£000
Adjustments for non cash or cash equivalent				
Pension cost adjustment from IAS19	(70,351)		(76,153)	
(Increase) / decrease Creditors	(7)		42	
	<u> </u>	(70,358)	<u> </u>	(76,111)

12. 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:

Income and Expenditure 2014/15	Joint Collaborative Units £000	Commands & Support £000	Departments £000	Corporate £000	Total £000
Fees, charges and other service income	(845)	(3,641)	(960)	(1,887)	(7,333)
Government grants	(109)	(987)	(558)	(10,161)	(11,815)
Other grants & contributions	(29)	(293)	(15)	0	(337)
Total Income	(983)	(4,921)	(1,533)	(12,048)	(19,485)
Employee expenses	41,747	78,185	2,485	5,621	128,038
Other service expenses	11,687	5,080	6,751	13,726	37,244
Total Expenditure	53,434	83,265	9,236	19,347	165,282
Net Expenditure	52,451	78,344	7,703	7,299	145,797

During 2014/15 further collaboration has taken place which has increased the Net Expenditure on Joint Collaborative Units from those of Commands & Support and Departments.

Income and Expenditure 2013/14 (Comparator)	Joint Collaborative Units £000	Commands & Support £000	Departments £000	Corporate £000	Total £000
Fees, charges and other service income	(688)	(2,787)	(396)	(2,185)	(6,056)
Government grants	(41)	(322)	(13)	(10,298)	(10,674)
Other grants & contributions	0	(549)	(19)	0	(568)
Total Income	(729)	(3,658)	(428)	(12,483)	(17,298)
Employee expenses	39,496	78,828	3,265	4,928	126,517
Other service expenses	11,613	4,522	7,145	12,862	36,142
Total Expenditure	51,109	83,350	10,410	17,790	162,659
Net Expenditure	50,380	79,692	9,982	5,307	145,361

CC Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)

The reconciliation shows how the figures in the analysis of income and expenditure, in the above table, relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £000	2013/14 £000
Net expenditure in the Analysis	145,797	145,361
Movement between PCC/CC outturn	(4,979)	(3,035)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	13,237	18,044
Cost of Policing Services in Comprehensive Income and Expenditure Statement	154,055	160,370

CC Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Reported to Management £000	Movements between PCC/CC £000	Restated Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	Cost of Policing Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(7,058)	126	(6,932)	0	0	(6,932)	0	(6,932)
Interest and investment income	(275)	275	0	0	0	0	0	0
Government grants and contributions	(12,152)	6,756	(5,396)	0	0	(5,396)	0	(5,396)
Total Income	(19,485)	7,157	(12,328)	0	0	(12,328)	0	(12,328)
Employee expenses	128,038	(442)	127,596	13,237	0	140,833	57,121	197,954
Other service expenses	36,487	(10,937)	25,550	0	0	25,550	0	25,550
Interest payments	757	(757)	0	0	0	0	0	0
Total Expenditure	165,282	(12,136)	153,146	13,237	0	166,383	57,121	223,504
Intra Group Adjustment							(140,818)	(140,818)
Surplus or deficit on the provision of services	145,797	(4,979)	140,818	13,237	0	154,055	(83,697)	70,358

2013/14 (Comparator)	Reported to Management £000	Movements between PCC/CC £000	Restated Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	Cost of Policing Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(5,769)	236	(5,533)	0	0	(5,533)	0	(5,533)
Interest and investment income	(287)	287	0	0	0	0	0	0
Government grants and contributions	(11,242)	7,478	(3,764)	0	0	(3,764)	0	(3,764)
Total Income	(17,298)	8,001	(9,297)	0	0	(9,297)	0	(9,297)
Employee expenses	126,517	(343)	126,174	18,044	0	144,218	58,067	202,285
Other service expenses	35,377	(9,928)	25,449	0	0	25,449	0	25,449
Interest payments	765	(765)	0	0	0	0	0	0
Total Expenditure	162,659	(11,036)	151,623	18,044	0	169,667	58,067	227,734
Intra Group Adjustment							(142,326)	(142,326)
Surplus or deficit on the provision of services	145,361	(3,035)	142,326	18,044	0	160,370	(84,259)	76,111

13. OFFICERS' REMUNERATION

The remuneration paid to senior officers of the CC is shown in the following table;

Postholder information	Year	Salary, Fees and Allces £	Termination Payments £	Expense Allces £	Benefits in Kind £	Total Excl. Pension Contribs £	Employer's Pension Contribs £	Total Incl. Pension Contributions £
Chief Constable S Bailey	2014/15	144,120	0	1,493	4,357	149,970	33,458	183,428
- Appointed 10.06.13	2013/14	114,103	0	1,207	2,493	117,803	26,814	144,617
Chief Constable P Gormley - Transferred 10.06.13	2013/14	35,014	0	441	781	36,236	6,312	42,548
Deputy Chief Constable	2014/15	118,146	0	1,790	5,655	125,591	27,603	153,194
- Appointed 10.06.13	2013/14	100,565	0	4,193	3,123	107,881	20,918	128,799
Deputy Chief Constable - Promoted 10.06.13	2013/14	26,607	0	286	592	27,485	5,208	32,693
Assistant Chief Constable (1) - Promoted 10.06.13	2013/14	24,434	0	1,364	741	26,539	4,770	31,309
Assistant Chief Constable (2) - Transferred 18.07.14	2014/15	32,928	0	0	712	33,640	6,838	40,478
	2013/14	106,948	0	0	2,876	109,824	22,821	132,645
Assistant Chief Constable (3)	2014/15	101,583	0	0	5,099	106,682	23,734	130,416
	2013/14	102,222	0	0	4,409	106,631	23,888	130,519
Assistant Chief Constable (4)	2014/15	94,936	0	0	3,038	97,974	21,395	119,369
- Appointed 10.06.13	2013/14	76,702	0	0	1,116	77,818	11,207	89,025
Assistant Chief Officer Resources	2014/15	106,804	92,749	6,693	0	206,246	0	206,246
	2013/14	106,467	0	6,739	0	113,206	17,461	130,667
Chief Finance Officer (works 14.5 hrs/week)	2014/15	33,646	0	0	0	33,646	0	33,646
- Appointed 01.04.14								

The Assistant Chief Constable (in post 2 above to 18.07.14) had executive portfolio with Suffolk Constabulary under joint arrangements (see Note 22 on page 46). The full remuneration paid to this officer is shown above for which a recharge of 43.5% was made to Suffolk Constabulary for salary, expenses and pension contributions in 2014/15. The amount recharged is £17,298 (£58,921 in 2013/14).

The senior police officers (holding the rank of Chief Superintendent and above), and other employees who received more than £50,000 remuneration for the year (excluding employer and employee pension contributions) were paid the following amounts, (officers in the above tables are included);

Remuneration band	2014/15 Number of Employees	2013/14 Number of Employees
£50,000 - £54,999	5	7
£55,000 - £59,999	5	5
£60,000 - £64,999	1	0
£65,000 - £69,999	1	1
£75,000 - £79,999	2	2
£80,000 - £84,999	3.4	3
£90,000 - £94,999	0	2
£95,000 - £99,999	1	0
£100,000 - £104,999	2	0
£105,000 - £109,999	0	2
£110,000 - £114,999	0	1
£120,000 - £124,999	1	0
£130,000 - £134,999	0	1
£145,000 - £149,999	1	1
£175,000 - £179,999	1	0

Employer's pension contributions are made at the rate of 24.2% of pensionable pay for police officers and 17.9% (16.4% in 2013/14) of pensionable pay for staff in accordance with the separate pension arrangements for police officers and staff. See note 19 on pages 35 to 44.

Further information on bonuses, expenses, allowances and benefits in kind is available in the "Payments and Benefits in Kind" booklet on the PCC's website www.norfolk-pcc.gov.uk.

14. EXTERNAL AUDIT COSTS

The following costs were made to the external auditors Ernst and Young to carry out the audits on the Statement of Accounts for the CC. A scale fee variation increase was agreed for work undertaken for extra work on the financial statements, financial resilience and dual role of the PCC and CC Chief Finance Officer in 2013/14.

	Planned Fees 2014/15 £	Restated Fees 2013/14 £
Fees payable with regard to external audit services carried out by the appointed auditor for the year;		
Fees payable in respect of statutory inspections of the Financial Statements	20,000	21,085

15. GRANT INCOME

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

Grant Income	2014/15 £000	2013/14 £000
Credited to Services		
Single Counter Terrorism Grant	3,956	2,822
Home Office Innovation Fund	129	
Partnership Funding	314	535
Criminal Records Bureau	301	310
Operation Hydrant (National operation overseen by CC)	257	
Other grants	416	65
Sponsorship and Donations	23	32
Total	5,396	3,764

16. RELATED PARTIES

The CC is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence 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 ability to operate independently or might have secured the ability to limit another party's ability to bargain freely.

Central Government

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 funding in the form of grants and prescribes the terms of many of the transactions that the CC has with other parties. Grants received from government departments are set out in the subjective analysis on pages vii and note 15 on page 30.

Officers

The CC wrote to all Chief Officers requesting details of any related party transactions. There are no disclosures.

Audit Committee members

The PCC wrote to all members requesting details of any related party transactions. One member disclosed that he is also a member of Norfolk County Council and of Kings Lynn and West Norfolk Borough Council.

Other Public Bodies

These include Norfolk County Council and the seven District Councils. Transactions with these organisations are included elsewhere in the accounts.

17. PRIVATE FINANCE INITIATIVES

1. 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 2014/15 was £1.336m (£1.306m in 2013/14). Payments remaining to be made under the PFI contract for services at 31 March 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment of Services £000
Payable in 2015/16	1,327
Payable within 2 to 5 years	5,292
Payable within 6 to 10 years	7,395
Payable within 11 to 15 years	7,622
Payable within 16 to 20 years	8,503
Payable within 21 to 22 years	3,073
Total	33,212

2. Police Investigations Centres (PIC)

During the financial years 2010-2011 to 2040-2041 the Norfolk and Suffolk PCC's are committed to making payments under a contract with a consortium for the use of the 6 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 2 Groups.

Norfolk and Suffolk PCC's 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 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 is for the services element which during 2014/15 was £0.920m (£0.825m in 2013/14). Payments remaining to be made under the PFI contract at 31 March 2014 (which exclude any availability/performance deductions), are shown in the following table;

	Payment of Services £000
Payable in 2015/16	1,471
Payable within 2 to 5 years	7,328
Payable within 6 to 10 years	9,533
Payable within 11 to 15 years	12,850
Payable within 16 to 20 years	14,858
Payable within 21 to 25 years	13,531
Payable within 26 years	5,301
Total	64,872

18. TERMINATION BENEFITS

The CC terminated the contracts of 35 employees in 2014/15 (11 in 2013/14), incurring liabilities of £656k (£197k in 2013/14).

These liabilities, made up of pension strain and redundancy payments, were paid to members of staff made redundant as part of the CC's workforce modernisation programme.

The number of exit packages with total cost band and total cost are set out in the below table. These include all relevant redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

The CC has a policy of not making staff compulsory redundant but putting staff 'at risk' and giving them the ability to apply for other internal vacancies before other applicants. The staff that are subsequently made redundant under this criteria are shown within 'Redundancies'. Staff who are paid exit packages without redundancy are shown within 'other departures agreed'.

In response to reductions in Government funding the PCC, in consultation with the CC, is reducing the size of the workforce, particularly in support functions. Some new departmental structures have been introduced, but others will be introduced over the next few years and will probably result in some redundancy situations. There remains some uncertainty about the number of employees that will be affected and consequently it is not possible to estimate the cost of termination payments that will become payable.

Exit Package cost band (including special payments)	Number of Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £000	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000	25	7	0	0	25	7	251	53
£20,001 - £40,000	6	2	0	1	6	3	171	78
£40,001- £60,000	2	0	1	0	3	0	141	0
£60,001- £80,000	0	1	0	0	0	1	0	66
£80,001- £100,000	1	0	0	0	1	0	93	0
Total	34	10	1	1	35	11	656	197

19. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the CC makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the CC has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The principal schemes in operation are:

- Uniformed Police Officers - There are two schemes both of which are unfunded, defined benefit schemes. This means there are no investment assets built up to meet the pension's liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Benefits payable are funded by contributions from employers and employees, and any difference between benefits payable and contributions receivable is met by top up grant from the Home Office.
- Other Employees - Pensions to police staff are provided from the Local Government Pension Scheme administered by Norfolk Pension Fund. This is a funded defined benefit final salary scheme, meaning that the CC and employees pay contributions into a fund calculated at a level intended to balance the pension's liabilities with investment assets. Employer's contributions, at rates advised by the Fund's actuary, are charged to revenue as incurred. Where employees are allowed to retire early, the employer is required to reimburse the Pension Fund in respect of the additional costs (strain) that arise from early retirement. The costs are paid in full at the date of retirement.

Further information is contained in the Fund's annual report and accounts, which is published by Norfolk Pension Fund or by visiting the Fund's website at www.norfolkpensionfund.org.

Transactions Relating to Retirement Benefits

The CC recognises the cost of retirement benefits in the reported cost of services when these are earned by employees, rather than when the benefits are eventually paid as pensions. However, as the charge made against the council tax is based on the cash payable in the year, the real cost of employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Separate Employer status

Under transfer 'stage 2' arrangements the CC became a separate employer from 1 April 2014 and thus the actuary was able to provide separate actuarial valuation reports for 2014/15. Although the opening balances for the Group remain unchanged the opening balances for the PCC and CC are those on an actuarial basis rather than those carried forward from the previous year's estimate. Thus the closing balance for 2013/14 is different to the opening balance for 2014/15.

	Local Government Pension Scheme		Police Pension Scheme 2014/15				Police Pension Scheme 2013/14			
	2014/15 £000	2013/14 £000	Old Scheme £000	Injury Award £000	New Scheme £000	Total £000	Old Scheme £000	Injury Award £000	New Scheme £000	Total £000
Comprehensive Income and Expenditure Statement										
Net Cost of Services:										
- Current service cost	6,811	7,134	21,760	1,100	5,280	28,140	23,940	1,160	6,320	31,420
- Past service cost	226	6	0	50	0	50	0	40	0	40
- Gains/losses from settlements	(329)	0	0	0	0	0	0	0	0	0
Financing and Investment Income and Expenditure			0	0	0					
- Net interest expense	1,931	2,277	51,230	1,730	2,230	55,190	50,910	2,630	2,250	55,790
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	8,639	9,417	72,990	2,880	7,510	83,380	74,850	3,830	8,570	87,250
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement										
Return on plan assets (excluding the amount included in the net interest expense)	(12,771)	(1,835)	0	0	0	0	0	0	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	0	4,555	(38,180)	(18,140)	(4,830)	(61,150)	(300)	50	(80)	(330)
- Actuarial gains and losses arising on changes in financial assumptions	33,307	(16,361)	205,580	7,700	12,250	225,530	(35,690)	(1,290)	(3,460)	(40,440)
- Other	(1,257)	4,291	(48,927)	18,410	2,197	(28,320)	(42,678)	(23,080)	2,812	(62,946)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	27,918	67	191,463	10,850	17,127	219,440	(3,818)	(20,490)	7,842	(16,466)
Movement in Reserves Statement										
- Reversal of net charges made to the Surplus or deficit for the Provision of Services for post employment benefits in accordance with the code	(8,639)	(9,417)	(72,990)	(2,880)	(7,510)	(83,380)	(74,850)	(3,830)	(8,570)	(87,250)
Actual amount charged against the General Fund Balance for pensions in the year:										
- Employers' contributions payable to scheme	5,688	5,440								
- Retirement benefits payable to pensioners			11,673	1,410	2,897	15,980	11,222	1,240	2,612	15,074

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the CC's obligation in respect of the defined benefits plan is as follows:

	Local Government Pension Scheme		Police Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Present value of defined benefit obligation	(224,177)	(178,812)	(1,454,160)	(1,250,700)
Fair value of plan assets	156,813	134,106	0	0
Net liability arising from defined benefit obligation	(67,364)	(44,706)	(1,454,160)	(1,250,700)

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening estimated fair value of scheme assets at 31 March		122,534	0	0
Opening actuarial fair value of scheme assets at 31 March	135,558			
Effects of settlement	(688)			
Interest income	5,799	5,570		
Remeasurement gain/(loss):				
- the return on plan Assets, excluding the amount included in the net interest expense	12,771	1,835		
- other			16,820	14,406
Contributions from employer	5,688	5,440	15,980	15,074
Contributions from employees into the scheme	2,000	2,028	7,570	7,250
Benefits paid	(4,315)	(3,301)	(40,370)	(36,730)
Closing fair value of scheme assets	156,813	134,106	0	0

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Police Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening estimated balance at 31 March		(172,613)	(1,250,700)	(1,282,240)
Opening Actuarial balance at 31 March	(180,692)			
Present value of funded liabilities				
Effects of settlement	1,017			
Current service costs	(6,811)	(7,134)	(28,140)	(31,420)
Interest cost	(7,730)	(7,847)	(55,190)	(55,790)
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	0	(4,555)	61,150	330
- Actuarial gains/losses arising from changes in financial assumptions	(33,307)	16,361	(225,530)	40,440
- Other	1,257	(4,291)	11,500	48,540
Past service cost	(226)	(6)	(50)	(40)
Liabilities assumed on entity combinations	(2,000)	(2,028)	(7,570)	(7,250)
Benefits paid	4,315	3,301	40,370	36,730
Liabilities extinguished on settlements (where relevant)				
Closing fair value of scheme assets	(224,177)	(178,812)	(1,454,160)	(1,250,700)

Total of assets and liabilities of the schemes

	Local Government Pension Scheme		Police Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening estimated balance at 31 March		(50,079)	(1,250,700)	(1,282,240)
Opening actuarial balance at 31 March	(45,134)			
Effect of settlements	329			
Current service costs	(6,811)	(7,134)	(28,140)	(31,420)
Interest cost	(1,931)	(2,277)	(55,190)	(55,790)
Remeasurement (gains) and losses:				
- the return on plan Assets, excluding the amount included in the net interest expense	12,771	1,835	0	0
- Actuarial gains/losses arising from changes in demographic assumptions	0	(4,555)	61,150	330
- Actuarial gains/losses arising from changes in financial assumptions	(33,307)	16,361	(225,530)	40,440
- Other	1,257	(4,291)	28,320	62,946
Past service cost	(226)	(6)	(50)	(40)
Contributions from employer	5,688	5,440	15,980	15,074
Closing fair value of scheme assets	(67,364)	(44,706)	(1,454,160)	(1,250,700)

Local Government Pension Scheme assets comprised:

	2014/15 £000	Restated 2013/14 £000
Cash and cash equivalents	4,184	3,460
Equity instruments - by industry type:		
- Consumer	6,742	8,194
- Manufacturing	8,318	7,515
- Energy and utilities	3,453	4,192
- Financial institutions	10,085	8,401
- Health and care	5,303	3,832
- Information technology	5,328	2,412
- Other	7,947	5,990
Sub total equity	47,176	40,537
Bonds - by sector:		
- Corporate	6,597	5,637
- Other	170	475
Sub total bonds	6,767	6,113
Property - by type:		
- UK Property	16,656	13,437
- Overseas Property	1,912	2,001
Sub total property	18,568	15,439
Private equity - all:	10,313	9,277
Other investment funds:		
- Equities	63,116	39,010
- Bonds	6,494	20,976
Sub total other investment funds	69,610	59,987
Derivatives:	195	58
Total Assets	156,813	134,869

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.

The Police Officer Pension Scheme liabilities have been assessed by the Government Actuary Department and the Local Government Pension Scheme fund liabilities have been assessed by Hymans Robertson, both being independent actuaries, estimates for the LGPS fund being based on the latest full valuation of the scheme as at 31 March 2010. See page 43.

The principal assumptions used by the actuaries have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2014/15	2013/14	2014/15	2013/14
Mortality assumptions:				
Longevity of 65 for current pensioners:				
Men	22.1	22.1	23.3	23.4
Women	24.3	24.3	25.7	25.9
Longevity of 65 for future pensioners:				
Men	24.5	24.5	25.4	25.6
Women	26.9	26.9	27.9	28.0
Rate of Inflation	2.4%	2.8%	2.4%	2.8%
Rate of increase in salaries	3.3%	3.6%	4.2%	4.5%
Rate of increase in pensions	2.4%	2.8%	2.2%	2.5%
Rate of discounting scheme liabilities	3.2%	4.3%	3.3%	4.4%

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 analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Local Government Pension Scheme		Police Pension Scheme Old Scheme		Police Pension Scheme New Scheme	
	Approximate % increase to Employers Liability £000	Approximate monetary amount £000	Approximate % increase to Employers Liability £000	Approximate monetary amount £000	Approximate % increase to Employers Liability £000	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	13%	28,390	11.6%	157,000	17.3%	9,900
1 year increase in member life expectancy	3%	6,725	2.5%	33,000	0.5%	300
0.5% increase in the Salary Increase Rate	5%	11,705	1.7%	22,000	7.3%	4,200
0.5% increase in the Pension Increase Rate	7%	15,975	9.3%	126,000	8.1%	4,700

The liabilities show the underlying commitments that the CC has in the long run to pay post-employment (retirement) benefits. The total liability of £1,521.524m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a negative overall balance of £1,522.004m.

However, statutory arrangements for funding the deficit mean that the financial position of the CC remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary.

Finance is only required to be raised to cover Local Government Pension Fund discretionary benefits and police officer pensions when the pensions are actually paid.

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%	953
1 April 2012 to 31 March 2013	13%	1,128
1 April 2013 to 31 March 2014	13%	1,307
1 April 2014 to 31 March 2015	13%	1,553
1 April 2015 to 31 March 2016	13%	1,806
1 April 2016 to 31 March 2017	13%	2,128

20. PARTNERS AGAINST CRIME TASKFORCE (PACT)

PACT was formed in 1996 and is registered as a company limited by guarantee and is a registered charity. The trading name is Norfolk Shrievalty Trust.

PACT is a broad based partnership uniting commerce, industry, public sector and people of Norfolk which delivers projects that reduce fear of crime across the County.

The CC (and previously Norfolk Police Authority) has supported PACT since its inception and from 2006-2007 by employing a police staff member and providing office accommodation at the OCC in Wymondham. The CC has agreed to fund this post in order to offer an opportunity to enhance influence and delivery of problem solving community priorities. The cost in 2014/15 was £34,715 (£33,916 in 2013/14).

21. CONTINGENT LIABILITIES

Bear Scotland Ltd v Fulton and Others 2015 –

The Employment Appeal Tribunal (EAT) in the case of Bear Scotland Ltd v Fulton and Others 2015 delivered a judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stemmed from a conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if less than three months since the last incorrect payment of holiday pay.

The case of British Gas v Lock, which followed the Bear Scotland judgement, is being appealed and as a result all issued cases have been stayed pending the decision which is not anticipated will be available before the end of 2015.

The legal advice is that the certainty, timing and amount of potential claims relating to this issue are uncertain due to the pending appeal of British Gas v Lock. Therefore no provision can be made at this time.

Taxation –

A number of tax related issues within the Police and Local Government Sector are progressing and being considered by forces and HMRC that could result in liabilities or assets arising. None of these are probable at this time in terms of timing or amounts and are therefore not provided for in these accounts, but will be kept under review.

22. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**Norfolk and Suffolk Joint Arrangements -**

The CC has collaborative agreements with Suffolk PCC and Constabulary which are classed as 'Jointly Controlled Operations'.

In 2014/15 the collaborative agreements with Suffolk increased to include the following,

- Protective Services – Major Incident Team, Source Handling, Special Branch, Economic Crime Team, Witness Protection, Dog Section, Firearms Licensing Unit and Heads of Joint Departments
- Justice Services - Crime Investigation Unit and Custody and Head of Joint Department
- Business Support - Strategic Change, Human Resource Management, Corporate Communications, Estates and Facilities, Finance, Procurement and Supplies, Performance and Analysis, Information Management, Professional Standards, ICT, Operational Business Support and Transport.

The cost sharing ratio agreed between Norfolk and Suffolk CC's is 56.5:43.5 determined on the basis of a comparison of the overall approved Net Revenue Expenditure budgets for each County.

The following details the joint expenditure;

	2014/15				2013/14			
	Protective Services £000	Justice Services £000	Business Support £000	Total £000	Protective Services £000	Justice Services £000	Business Support £000	Total £000
Norfolk	19,297	11,651	21,505	52,453	20,088	9,933	20,359	50,380
Suffolk	14,860	8,970	16,552	40,382	15,466	7,648	15,674	38,788
Total	34,157	20,621	38,057	92,835	35,554	17,581	36,033	89,168

ERSOU Joint Arrangements –

The Eastern Region Special Operations Unit (ERSOU) was established on 1 April 2010 as a joint arrangement between 6 police forces: Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk. The unit provides a single serious and organised crime unit for the eastern region.

ERSOU is run by a management board where all forces are equally represented and decisions are made with the unanimous consent of all forces. Therefore each forces share of assets, liabilities and expenditure are consolidated into their own financial statement. In 2014/15 the Norfolk underspend of £0.014m has been retained in reserves.

The Income and Expenditure Statement for the units is detailed in the following table:

2014/15	Bedfordshire £000	Cambridgeshire £000	Essex £000	Hertfordshire £000	Norfolk £000	Suffolk £000	Total £000
Home Office Grant	(351)	(453)	(544)	(641)	(511)	(391)	(2,891)
Running Costs	1,558	2,008	952	2,847	2,267	1,732	11,364
Depreciation	51	67	20	95	76	58	367
Surplus / Deficit	1,258	1,622	428	2,301	1,832	1,399	8,840

Restated 2013/14 (Comparator)	Bedfordshire £000	Cambridgeshire £000	Essex £000	Hertfordshire £000	Norfolk £000	Suffolk £000	Total £000
Home Office Grant	(151)	(192)	(187)	(278)	(219)	(168)	(1,195)
Running Costs	1,136	1,074	444	1,654	1,226	938	6,472
Depreciation	43	39	33	69	44	34	262
Surplus / Deficit	1,028	921	290	1,445	1,051	804	5,539

NORFOLK POLICE OFFICER PENSION FUND ACCOUNT

Introduction

This section summarises the accounts of the Norfolk Police Officer Pension Fund for the year ending 31 March 2015.

The accounts of the Pension Fund have been prepared in accordance with the relevant accounting policies as detailed in the Statement of Accounting Policies on pages 8 to 14.

Summary of Arrangements

The CC is responsible for paying the pensions of officers in accordance with the Police Pension Regulations 1987 and 2006.

The 2006 pension scheme was introduced for new officers joining the service. Pension arrangements for officers already employed by the service continue under the old scheme, unless they elect to transfer to the new scheme.

Funding arrangements for both schemes require the CC to set up a new police pension fund account established under the Police Pension Fund Regulations 2007. Contributions from the CC (employer) and officers are paid into the account. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office following consultation with the Government Actuary's Department. The current rate of 24.2% was effective from 1 April 2008. Pension payments are made from the account, except for injury awards, which are funded by the PCC.

Grant Arrangements

The Police Pension Schemes are unfunded, defined benefit schemes which means there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. The account is topped up by the Home Office if the contributions are insufficient to meet the cost of pension payments and the account balanced to nil at the 31 March. The underlying principle is that employer and officer contributions together will meet the full costs of pension liabilities being accrued by serving officers while Central Government provides for the costs of pensions paid to retired officers and their dependants. Should there be a surplus in the account this is repaid to the Home Office.

Pension Administration

The CC is responsible for the administration and payment of police officer pensions in accordance with the Police Pension Regulations 1987 (old pension scheme) and 2006 (new pension scheme). The new arrangements have no impact on the benefit structure of the police pension schemes.

Long Term Pension Liability

The long term pension liability as shown in the CC Balance Sheet (see page 5) is £1,522m (£1,296m in 2013/14). See also Note 19 on pages 35 to 44.

Norfolk Police Officer Pension Fund Account for the year ended 31 March 2015

POLICE PENSION FUND ACCOUNT	2014/15			2013/14		
	Old Scheme £000	New Scheme £000	Total £000	Old Scheme £000	New Scheme £000	Total £000
Contributions Receiveable						
From Employer						
Contributions at 24.2% of pensionable pay	10,557	2,897	13,454	10,892	2,612	13,504
Early Retirements	1,116		1,116	330		330
Officers contributions	5,938	1,629	7,567	5,852	1,403	7,255
Transfers In from other pension bodies	73	177	250	153	454	607
Benefits Payable						
Pensions	(31,060)	(5)	(31,065)	(29,312)	(5)	(29,317)
Commutations & Lump Sum Retirement Benefits	(7,563)	(32)	(7,595)	(6,152)	(29)	(6,181)
Lump Sum Death Benefit			0			0
Payments to and on account of leavers						
Refund of Contributions		(10)	(10)		(4)	(4)
Transfers out to other pension bodies	(294)		(294)			0
Net amount payable for the year	(21,233)	4,656	(16,577)	(18,237)	4,431	(13,806)
Additional Contributions from the Group / PCC			16,577			13,806
Net balance for the year			0			0

Pension Fund Net Assets Statement at 31 March 2015

NET ASSETS STATEMENT	2014/15 £000	2013/14 £000
Current Assets		
Contributions due from the Group/CC	0	0
Funding to meet deficit due from PCC	0	0
Recoverable overpayments of pensions	0	0
Current Liabilities		
Unpaid pensions benefit	0	0
Surplus for year owing to PCC	0	0
	0	0

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.

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.

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.

OUTTURN

The actual amount spent in the financial year.

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.