Statement of Accounts 2014/15

OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

CONTENTS

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. The effect of this key reform 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 (CC). 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, set out in the Act, 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 public meetings between the PCC and the Chief Constable are held every two months. An independent Audit Committee has also been established in accordance with recommendations from the Home Office and CIPFA.

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

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

The Statement of Accounts for the 2014/15 financial year is 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-today 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 Police & Crime Commissioner (PCC) for 2014/15, which will be the basis for the Audit Opinion, are set out on Pages ii to 108 and consist of;

- **Explanatory Forward**
  This provides an overview of the accounting arrangements 2014/15.

- **Financial Review**
  This outlines the revenue and capital spending in 2014/15 and the financing, major changes to the Accounts from 2013/14 and future prospects for the PCC.

- **Audit Opinion**
  The statutory opinion for the Statement of Accounts.

- **Statement of Responsibilities**
  This includes the financial responsibilities of the PCC and the Chief Finance Officer (CFO) to the PCC.

The Accounting Statements consist of:

- **Movement in Reserves Statement**

  This 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 other 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. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

- **Comprehensive Income and Expenditure Statement**

  This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet**
  This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC and Group. The net assets (assets less liabilities) are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e., those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the PCC is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and 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 PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the PCC are funded by way of taxation and grant income or from

the recipients of services provided by the PCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

- **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

Funding

The actual net revenue spending, i.e. after taking into account income raised from fees and charges, is funded from Government Grants and Council Tax. The Council Tax is raised by means of a precept on the seven district councils; the other funding is received direct from the Government. In 2014/15 the PCC received 63% of funding from Central Government, 33% being raised locally from the Council Tax with the remaining 4% from charges for services and other income.

Revenue Budget and Spending

The actual expenditure in 2014/15 was £148.154m.

Spending against the budget has been monitored regularly throughout the year, and reports have been prepared for the PCC and CC.

The table below shows the net expenditure for the OPCCN, CC and Group. For the analysis of spend see note 25 on pages 68 to 76.

	2014/15 £000	**2013/14 £000**
Office of the PCC	961	1,371
Commissioning	1,040	786
Total OPCCN	2,001	2,157
Chief Constable	145,797	145,361
Net Transfer to Reserves	356	2,269
Group	148,154	149,787

The final outturn position for the year (see note 25 on pages 68 and 76) against the original budget is set out in the table below together with the sources of income from which the net revenue expenditure was financed.

These figures are based on the service responsibilities, rather than the total cost of providing services (including apportionment of support services and adjustments to show the cost of providing pensions to employees) which is used in the Comprehensive Income and Expenditure Statement on pages 5 to 8. Budgets were moved during the year as Joint Collaborative Units were set up and budgets finalised.

	Final Revised Budget £000	Outturn £000
OPCCN	2,010	2,001
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	149,741	147,798
Net Transfer to / (from) Reserves	(1,587)	356
	148,154	148,154
Funded By -		
Council Tax	55,125	55,125
Police Grants	63,104	63,104
Department of Communities & Local Government Grants	29,925	29,925
Total Funding	148,154	148,154

The Net Transfer to Reserves of £0.356m represents the difference between final outturn net spending and external funding. This amount has been transferred to earmarked reserves (see note 8 on pages 42 and 43) as agreed by the PCC during the year.

The Government has set an agenda for significant funding reductions in the public sector in forthcoming years in order to assist with the national economic outlook. Full details of the final outturn can be found in the report to the Police Accountability Forum 14 July 2015 which can be found on the PCC's website at www.norfolk-pcc.gov.uk.

The Police Accountability Forum meets bi-monthly and the purpose of the meeting is to hold the Chief Constable to account and to enable issues to be discussed and decisions to be made in public.

The difference between the Group Net Cost of Policing within the Comprehensive Income and Expenditure Statement of £160.566m and the outturn figure of £148.154m is a credit of £12.412m. This figure is made up of the following transactions which cannot be charged to Net Cost of Policing as they cannot reasonably be allocated or apportioned to services as required by the Service Reporting Code of Practice;

	Group £000
Other Operating Expenditure	
Loss on the disposal of Non Current Assets	(16)
Financing and Investment Income & Expenditure	
Interest Payable and Similar Charges	7,496
Interest and Investment Income	(275)
Pension Interest Cost and Expected Return on Pension Assets	57,136
Taxation and Non-Specific Grant Income	
Adjustment to Precepts	(865)
Other Government Grants	(3,309)
Capital Grant	(1,712)
(Surplus) or Deficit on the Provision of Services	
Movement on the General Fund Balance	(70,867)
Total Difference	**(12,412)**

The difference between the Cost of Policing within the Comprehensive Income and Expenditure Statement of £6.511m and the PCC outturn figure of £2.357m is a credit of £4.154m which is made up of the following transactions;

	£000
PCC/CC movements between outturn and CIES	(4,979)
Other Operating Expenditure	
Loss on the disposal of Non Current Assets	(16)
Financing and Investment Income & Expenditure	
Interest Payable and Similar Charges	7,496
Interest and Investment Income	(275)
Pension Interest Cost and Expected Return on Pension Assets	15
Taxation and Non-Specific Grant Income	
Adjustment to Precepts	(865)
Other Government Grants	(3,309)
Capital Grant	(1,712)
(Surplus) or Deficit on the Provision of Services	
Movement on the General Fund Balance	(509)
Total Difference	**(4,154)**

Capital Expenditure and Financing

The total Group and PCC capital spending for 2014/15 was £6.026m against an approved capital programme of £7.493m. Full details of the final outturn can be found in the report to the Police Accountability Forum 14 July 2015 which can be found on the PCC's website at www.norfolk-pcc.gov.uk.

The Treasury Management Strategy for 2014/15 was to defer external borrowing due to the prevailing interest rates available for investment, measured against the cost of borrowing. In accordance with the strategy £14.141 million was financed internally in the financial years 2009/10 to 2014/15. It may be necessary to borrow for this in the future.

Further information on capital spending and capital financing is provided in note 31 on page 82. All land and buildings are revalued on a 5-year rolling programme. This revaluation base is reflected in these accounts. The majority of non-current assets are included in the balance sheet at their current value. The Group and PCC non-current assets portfolio is valued at £78.644m.

Provisions and Reserves

Total provisions as at 31st March 2015 amounted to £0.735m, as shown within Current and Long Term Liabilities on the balance sheet on pages 9 to 11, and related note 18 on pages 58 and 59.

The Group reserves as at 31st March 2015 comprise usable Revenue Reserves of £37.196m, unusable Capital Reserve liability of £11.155m, other unusable Reserves of £1.577m and an unusable Pension Reserve liability of £1,522.147m. These are shown in the balance sheet on pages 9 to 11, in the movement in reserves statement on pages 1 and 2 and the related note 21 on pages 60 to 65.

The Pension Reserve liability shows the underlying commitments that the Group has in the long term to pay retirement benefits. Reflecting this long term commitment (in accordance with accounting requirements) results in a negative overall balance (liability) on the balance sheet (see pages 9 to 11) of £1,494.529m. There are no implications for the constitutional permanence of the pension arrangements which are fully secured against current and future funding.

The PCC reserves as at 31st March 2015 comprise usable Revenue Reserves of £37.196m, unusable Capital Reserve liability of £11.155m, other unusable Reserves of £2.057m and an unusable Pension Reserve liability of £0.623m. These are also shown in the balance sheet on pages 9 to 11, in the movement in reserves statement on pages 1 and 2 and the related note 21 on pages 60 to 65. Reflecting this long term commitment (in accordance with accounting requirements) results in an overall balance on the balance sheet (see pages 9 to 11) of £27.475m.

Treasury Management

The Treasury Management Strategy was approved as part of the budget report for 2014/15.

The approved Strategy was to use specified investments only. These investments must be in sterling, have a maturity value of no more than one year and be made with either the UK government, a UK local authority or with bodies that have “high” credit ratings. Specified investments are deemed to be at the lower risk end of the market. During the year the PCC used a mixture of short term fixed investments, overnight markets and instant access call accounts only, as required by the approved strategy.

The base interest rate remained at 0.5% for the whole year and margins were extremely tight. In the event, the PCC achieved a rate of return on investments of 0.7%. This compared to a benchmark figure of 0.36% against the London Interbank Bid rate (LIBID). Interest received totalled £275,979 on an average amount invested of £39.305 million, giving an over recovery against budget of £59,588. Although interest rates achieved were below the budgeted figure of 1%, this was more than compensated by higher than anticipated levels of investments available, as capital spending was lower than planned.

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

The Group's accounting policies are fully explained on pages 14 to 30.

Pensions Deficit

The accounts reflect the underlying commitment that the Group 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 Group by £1,522.147m.

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.

Further details can be found at note 33 pages 84 to 87.

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 PCC’s website at www.norfolk-pcc.gov.uk.

Value for Money (VFM)

The Group has 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 is 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 is 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 PCC complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.

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

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

Opinion on the Police and Crime Commissioner for Norfolk financial statements

We have audited the financial statements of the Police and Crime Commissioner for Norfolk for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Police and Crime Commissioner for Norfolk and Group Movement in Reserves Statement, the Police and Crime Commissioner for Norfolk and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner for Norfolk and Group Balance Sheet, the Police and Crime Commissioner for Norfolk and Group Cash Flow Statement and the related notes 1 to 39, and the Police and Crime Commissioner 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 Police and Crime Commissioner for 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 Police and Crime Commissioner for Norfolk, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page xviii, 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 Police and Crime Commissioner for Norfolk and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 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 Police and Crime Commissioner for Norfolk as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 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 Police and Crime Commissioner 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 Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Police and Crime Commissioner and the auditor

The Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner'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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner for 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 Police and Crime Commissioner for 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 Police & Crime Commissioner's Responsibilities

The Police and Crime Commissioner 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 on behalf of the Office of the Police and Crime Commissioner and for the Norfolk Group.

Date: 21st September 2015

Signature:
Stephen Bett
Police and Crime Commissioner

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Police and Crime Commissioner for 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 Police and Crime Commissioner and for the Norfolk Group 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 Police and Crime Commissioner for Norfolk

MOVEMENT IN RESERVES STATEMENT – For the Police and Crime Commissioner for Norfolk and the Group

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 (see pages 5 and 8). This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Group.

	Group Reserves 2013/14 (Comparator)						
	General Fund Balance £000	**Earmarked Revenue Reserve £000**	**Capital Receipts Reserves £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 31 March 2013	**4,475**	**30,096**	**0**	**1,629**	**36,200**	**(1,346,472)**	**(1,310,272)**
Surplus or (Deficit) on Provision of Services	(75,620)				**(75,620)**	0	**(75,620)**
Other Comprehensive Expenditure and Income					**0**	113,295	**113,295**
Total Comprehensive Expenditure and Income	**(75,620)**	**0**	**0**	**0**	**(75,620)**	**113,295**	**37,675**
Adjustments between accounting basis & funding basis under regulations	77,889			(1,497)	**76,392**	(76,392)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**2,269**	**0**	**0**	**(1,497)**	**772**	**36,903**	**37,675**
Transfers to / (from) Reserves	(2,269)	2,269	0	0	**0**	0	**0**
Increase / Decrease in Year	**0**	**2,269**	**0**	**(1,497)**	**772**	**36,903**	**37,675**
Balance at 31 March 2014	**4,475**	**32,365**	**0**	**132**	**36,972**	**(1,309,569)**	**(1,272,597)**

	Group Reserves 2014/15						
	General Fund Balance £000	**Earmarked Revenue Reserve £000**	**Capital Receipts Reserves £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 31 March 2014	**4,475**	**32,365**	**0**	**132**	**36,972**	**(1,309,569)**	**(1,272,597)**
Surplus or (Deficit) on Provision of Services					**0**	0	**0**
Other Comprehensive Expenditure and Income	(70,867)				**(70,867)**	(151,065)	**(221,932)**
Total Comprehensive Expenditure and Income	**(70,867)**	**0**	**0**	**0**	**(70,867)**	**(151,065)**	**(221,932)**
Adjustments between accounting basis & funding basis under regulations	71,223			(121)	**71,102**	(71,102)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**356**	**0**	**0**	**(121)**	**235**	**(222,167)**	**(221,932)**
Transfers to / (from) Reserves	(356)	356	0	0	**0**	0	**0**
Increase / Decrease in Year	**0**	**356**	**0**	**(121)**	**235**	**(222,167)**	**(221,932)**
Balance at 31 March 2015	**4,475**	**32,721**	**0**	**11**	**37,207**	**(1,531,736)**	**(1,494,529)**

	PCC Reserves 2013/14 (Comparator)						
	General Fund Balance £000	**Earmarked Revenue Reserve £000**	**Capital Receipts Reserves £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 31 March 2013	**4,475**	**30,096**	**0**	**1,629**	**36,200**	**(13,638)**	**22,562**
Surplus or (Deficit) on Provision of Services	491				**491**	0	**491**
Other Comprehensive Expenditure and Income					**0**	229	**229**
Total Comprehensive Expenditure and Income	**491**	**0**	**0**	**0**	**491**	**229**	**720**
Adjustments between accounting basis & funding basis under regulations	1,778			(1,497)	**281**	(281)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**2,269**	**0**	**0**	**(1,497)**	**772**	**(52)**	**720**
Transfers to / (from) Reserves	(2,269)	2,269	0	0	**0**	0	**0**
Increase / Decrease in Year	**0**	**2,269**	**0**	**(1,497)**	**772**	**(52)**	**720**
Balance at 31 March 2014	**4,475**	**32,365**	**0**	**132**	**36,972**	**(13,690)**	**23,282**

	PCC Reserves 2014/15						
	General Fund Balance £000	**Earmarked Revenue Reserve £000**	**Capital Receipts Reserves £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 31 March 2014	**4,475**	**32,365**	**0**	**132**	**36,972**	**(13,690)**	**23,282**
Actuarial Pension Opening Balance adjustment						**428**	**428**
Restated Opening Balance as 31 March 2014	**4,475**	**32,365**	**0**	**132**	**36,972**	**(13,262)**	**23,710**
Surplus or (Deficit) on Provision of Services	(509)				**(509)**	0	**(509)**
Other Comprehensive Expenditure and Income					**0**	4,274	**4,274**
Total Comprehensive Expenditure and Income	**(509)**	**0**	**0**	**0**	**(509)**	**4,274**	**3,765**
Adjustments between accounting basis & funding basis under regulations	865			(121)	**744**	(744)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**356**	**0**	**0**	**(121)**	**235**	**3,530**	**3,765**
Transfers to / (from) Reserves	(356)	356	0	0	**0**	0	**0**
Increase / Decrease in Year	**0**	**356**	**0**	**(121)**	**235**	**3,530**	**3,765**
Balance at 31 March 2015	**4,475**	**32,721**	**0**	**11**	**37,207**	**(9,732)**	**27,475**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – For the Group

This statement shows the consolidation Group accounting cost in the year of providing services in accordance with generally accepted accounting practices, in addition to the amount of funding by way of grant income. The PCC raises taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Group Comprehensive Income and Expenditure Account	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
Police Services:						
Local Policing	78,089	(968)	77,121	81,552	(1,147)	80,405
Dealing with the Public	12,409	(228)	12,181	12,383	(144)	12,239
Criminal Justice Arrangements	17,616	(4,938)	12,678	18,312	(4,750)	13,562
Road Policing	10,566	(2,767)	7,799	10,976	(1,942)	9,034
Special Operations	5,014	(1,248)	3,766	5,056	(440)	4,616
Intelligence	5,939	(93)	5,846	6,330	(77)	6,253
Special Investigations	34,043	(951)	33,092	33,711	(606)	33,105
Investigative Support	3,640	(28)	3,612	3,934	(24)	3,910
National Policing	6,211	(4,675)	1,536	4,005	(3,847)	158
Corporate and Democratic Core	3,937	(1,002)	2,935	2,754	(739)	2,015
Net Cost of Policing	**177,464**	**(16,898)**	**160,566**	**179,013**	**(13,716)**	**165,297**

Group Comprehensive Income and Expenditure Account - continued	**Current Year Year ending 31 March 2015 Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**	**Previous Year Year ending 31 March 2014 Gross Expenditure £ 000**	**Gross Income £ 000**	**Net Expenditure £ 000**
Other Operating Expenditure						
Home Office grant payable toward the cost of police officer retirement benefits	16,577	(16,577)	0	13,806	(13,806)	0
(Gains) or Losses on Disposal of Non Current Assets	0	(16)	(16)	187	0	187
	16,577	**(16,593)**	**(16)**	**13,993**	**(13,806)**	**187**
Financing and Investment Income & Expenditure						
Interest payable and similar charges	7,496	0	7,496	7,592	0	7,592
Pensions interest cost and expected return on pensions assets	62,968	(5,832)	57,136	63,765	(5,661)	58,104
Interest and Investment Income	0	(275)	(275)	0	(287)	(287)
	70,464	**(6,107)**	**64,357**	**71,357**	**(5,948)**	**65,409**
Taxation and Non-Specific Grant Income						
Council Tax Income			(55,990)			(53,547)
Main Police Grant			(63,104)			(65,346)
Department of Communities & Local Government			(29,925)			(31,389)
Other Government Grants			(3,309)			(3,360)
Capital Grants and Contributions			(1,712)			(1,631)
			(154,040)			**(155,273)**
(Surplus) or Deficit on the Provision of Services			**70,867**			**75,620**
(Surplus) or deficit on the revaluation of Non Current Assets			(4,489)			(76)
Remeasurements of the net defined benefit liability/(asset)			155,554			(113,219)
Other Comprehensive Income and Expenditure			**151,065**			**(113,295)**
Total Comprehensive Income and Expenditure			**221,932**			**(37,675)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – For the Police and Crime Commissioner for Norfolk

This statement is prepared on the same accounting practices as the Group Comprehensive Income and Expenditure Statement on the previous page. The PCC's Comprehensive Income and Expenditure Statement show gross income and expenditure of the PCC and the PCC's resources consumed by the CC during 2014/15

PCC Comprehensive Income and Expenditure Account	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
Local Policing	3,531	(60)	3,471	3,341	(84)	3,257
Dealing with the Public	648	(11)	637	633	(16)	617
Criminal Justice Arrangements	768	(3,466)	(2,698)	709	(3,489)	(2,780)
Road Policing	355	(6)	349	338	(45)	293
Special Operations	135	(2)	133	131	(3)	128
Intelligence	263	(4)	259	245	(7)	238
Special Investigations	1,337	(22)	1,315	1,240	(32)	1,208
Investigative Support	133	(2)	131	134	(4)	130
National Policing	236	(4)	232	93	(2)	91
Corporate and Democratic Core *	3,685	(1,003)	2,682	2,485	(740)	1,745
Cost of Policing Services	**11,091**	**(4,580)**	**6,511**	**9,349**	**(4,422)**	**4,927**
Intra Group Adjustment			**140,818**			**142,326**
Net Cost of Policing			**147,329**			**147,253**

* This includes Ministry of Justice grant paid to the PCC - see note 29 on pages 80 and 81.

PCC Comprehensive Income and Expenditure Account - continued	Current Year Year ending 31 March 2015 Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Previous Year Year ending 31 March 2014 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Other Operating Expenditure						
Home Office grant payable toward the cost of police officer retirement benefits	16,577	(16,577)	0	13,806	(13,806)	0
(Gains) or Losses on Disposal of Non Current Assets	0	(16)	(16)	187	0	187
	16,577	**(16,593)**	**(16)**	**13,993**	**(13,806)**	**187**
Financing and Investment Income & Expenditure						
Interest payable and similar charges	7,496	0	7,496	7,592	0	7,592
Pensions interest cost and expected return on pensions assets	48	(33)	15	128	(91)	37
Interest and Investment Income	0	(275)	(275)	0	(287)	(287)
	7,544	**(308)**	**7,236**	**7,720**	**(378)**	**7,342**
Taxation and Non-Specific Grant Income						
Council Tax Income			(55,990)			(53,547)
Main Police Grant			(63,104)			(65,346)
Department of Communities & Local Government			(29,925)			(31,389)
Other Government Grants			(3,309)			(3,360)
Capital Grants and Contributions			(1,712)			(1,631)
			(154,040)			**(155,273)**
(Surplus) or Deficit on the Provision of Services			**509**			**(491)**
(Surplus) or deficit on the revaluation of Non Current Assets			(4,489)			(76)
Remeasurements of the net defined benefit liability/(asset)			215			(153)
Other Comprehensive Income and Expenditure			**(4,274)**			**(229)**
Total Comprehensive Income and Expenditure			**(3,765)**			**(720)**

BALANCE SHEET – For the Police and Crime Commissioner for Norfolk and the Group

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

Reserves are reported in two categories.

- Usable Reserves – those reserves that the PCC and the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g., the Capital Grant Unapplied Account that may only be used to fund capital expenditure).
- Unusable Reserves – those reserves which the PCC and Group is not able to use to provide services. These reserves include those which hold unrealised gains and losses (e.g., the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Balance Sheet	Financial Statements Note No.	Financial Statements Page No.	Group 31 March 2015 £000	Group 31 March 2014 £000	PCC 31 March 2015 £000	PCC 31 March 2014 £000
Non Current Assets						
Property, Plant & Equipment	9	44 to 49	78,248	73,719	78,248	73,719
Intangible Assets	11	50 & 51	396	514	396	514
Total Non Current Assets			78,644	74,233	78,644	74,233
Current Assets						
Assets Held for Sale	16	56	409	325	409	325
Short Term Investments	15	55 & 56	20,128	18,116	20,128	18,116
Inventories	13	54	241	211	241	211
Short Term Debtors	14	55	11,224	6,910	11,224	6,910
Cash and Cash Equivalents	15	55 & 56	12,997	14,219	12,997	14,219
Total Current Assets			44,999	39,781	44,999	39,781
Current Liabilities						
Short Term Creditors	17	57 & 58	(17,942)	(11,508)	(17,462)	(11,035)
Provisions	18	58 & 59	(607)	(743)	(607)	(743)
Total Current Liabilities			(18,549)	(12,251)	(18,069)	(11,778)
Long Term Liabilities						
Long Term Creditors	17	57	(624)	(780)	(624)	(780)
Provisions	18	58 & 59	(128)	(214)	(128)	(214)
Long Term Borrowing	12 & 36	52 to 54 & 101	(13,161)	(13,161)	(13,161)	(13,161)
Liability Related to PFI Schemes	33	84 to 87	(63,563)	(64,371)	(63,563)	(64,371)
Liability Related to Defined Benefit Pension Schemes	35	89 to 99	(1,522,147)	(1,295,834)	(623)	(428)
Total Long Term Liabilities			(1,599,623)	(1,374,360)	(78,099)	(78,954)
Net Assets			**(1,494,529)**	**(1,272,597)**	**27,475**	**23,282**

Balance Sheet - continued	**Financial Statements Note No.**	**Financial Statements Page No.**	**Group 31 March 2015 £000**	**Group 31 March 2014 £000**	**PCC 31 March 2015 £000**	**PCC 31 March 2014 £000**
Financed By:						
Usable Reserves						
Earmarked Reserves	8	42 & 43	32,721	32,365	32,721	32,365
General Fund			4,475	4,475	4,475	4,475
Capital Grant Unapplied Account			11	132	11	132
Unusable Reserves						
Revaluation Reserve	21	60 & 61	8,192	3,905	8,192	3,905
Capital Adjustment Account	21	60 to 62	(19,358)	(18,371)	(19,358)	(18,371)
Financial Instruments Adjustment A/c	21	60 & 63	51	63	51	63
Collection Fund Adjustment Account	21	60, 63 & 64	2,006	1,141	2,006	1,141
Accumulated Absences Account	21	60 & 64	(480)	(473)	0	0
Pension Reserve	21	60 & 65	(1,522,147)	(1,295,834)	(623)	(428)
Total Reserves			**(1,494,529)**	**(1,272,597)**	**27,475**	**23,282**

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 Police and Crime Commissioner for Norfolk
21st September 2015

CASH FLOW STATEMENT – For the Police and Crime Commissioner for Norfolk and the Group

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the way the Group has managed the cash outflows against the monies received by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future delivery of service. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

		Group		**PCC**	
	Financial Statements Note/Page No.	**31 March 2015 £000**	**31 March 2014 £000**	**31 March 2015 £000**	**31 March 2014 £000**
Net (surplus) or deficit on the provision of services		70,867	75,620	509	(491)
Adjustments to net surplus or deficit on the provision of services for non cash movements	**22 / 66**	(78,089)	(85,981)	(7,731)	(9,870)
Net Cash Inflows from Operating Activities		(7,222)	(10,361)	(7,222)	(10,361)
Investing Activities	**23 / 67**	7,703	14,545	7,703	14,545
Financing Activities	**24 / 67**	741	679	741	679
Net (Increase) / Decrease in Cash and Cash Equivalents		**1,222**	**4,863**	**1,222**	**4,863**
Cash and cash equivalents at the beginning of the reporting period		**14,219**	**19,082**	**14,219**	**19,082**
Cash and cash equivalents at the end of the reporting period	**15 / 55**	**12,997**	**14,219**	**12,997**	**14,219**

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A. GENERAL PRINCIPLES

The Statement of Accounts summarises the Group'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 Group when preparing and presenting the financial statements.

The Group 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.

Where the PCC and CC accounting policies are the same they are identified as Group policies. When the policy is not relevant to the CC then it is identified as a PCC policy.

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 PCC Balance Sheet (see note 13 on page 54).
- 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 by the Group.
- Interest receivable on investments and payable on borrowings is accounted for respectively by the PCC as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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 PCC Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

D. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Investments with a maturing date in excess of three months are shown within Short Term Investments on the PCC Balance Sheet.

E. 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.

F. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The PCC is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. However, is required to make an annual contribution from revenue towards the reduction in the overall borrowing requirement equal to an amount calculated on a prudent basis determined by the PCC in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

G. EMPLOYEE BENEFITS

<u>Benefits Payable During Employment</u>

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 Group. 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 Group and PCC's Balance Sheet where it is held as a liability and matched with an unusable reserve.

<u>Termination benefits</u>

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 Group 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 Group.

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 Group 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 3.3% for the PCC and 3.2% for the CC (based on the indicative rate of return on high quality corporate bonds). The differing rates are due to the financial assumptions of the weighted average duration of the 2 employers.
- The assets of the Norfolk Pension Fund attributable to the Group 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 Group – 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 Group 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 PCC equated to 1% 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 35 on pages 89 to 99 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 Group also contributes 24.2% of police officer pensionable pay to this account and a capital payment for any ill-health pensions awarded. The Group 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 106 to 108.

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

H. 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.

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

I. FINANCIAL INSTRUMENTS

Financial Liabilities

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

For the PCC this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses arising on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement for early settlement, regulations allow the impact of the General Fund Balance to be spread over future years. The PCC has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid or 10 years (if shorter).

The PCC has not entered into the repurchase of borrowing.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

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

Available for sale assets

Available for sale assets are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the PCC.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market process – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment loss).

J. FOREIGN CURRENCY TRANSLATION

Where the Group 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.

K. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or arrears, government grants and third party contributions and donations are recognised as due to the PCC when there is reasonable assurance that:

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

Amounts recognised as due to the PCC are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to revenue grants and contributions) or

Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

L. HERITAGE ASSETS

Tangible and Intangible Heritage Assets are described in this summary of significant accounting policies as Heritage Assets.

The PCC's Heritage Assets are stored at the OCC in Wymondham. None are on general public display although a small collection is made available for view within 2 display cabinets within the Atrium of the main building. The collection of several thousand documents and artefacts has been collected and retained over the years to increase the knowledge, understanding and appreciation of the Constabulary.

The PCC does not consider that reliable cost or valuation information can be obtained for the items held within this collection due to the diverse nature of the assets held and lack of comparable information. Consequently, the PCC does not recognise these assets on the Balance Sheet.

M. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the PCC as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the PCC.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the PCC will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the PCC's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible assets held by the PCC meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any loss recognised is posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have any impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The useful economic lives of intangible assets are reviewed at the end of each financial year and revised if necessary. The de minimis level for intangible assets is £20,000.

N. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the PCC Balance Sheet at the lower of cost and net realisable value. The costs of inventories are assigned using the first-in, first-out (FIFO) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works or services received under the contract during the financial year.

O. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the PCC or the CC in conjunction with other bodies, which involve the use of the assets and resources of the Group or the other body, rather than the establishment of a separate entity. The Group recognises on the PCC Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CC Comprehensive Income and Expenditure Statement with the expenditure incurred and the share of income earned from the activity of the operation.

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

P. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. The PCC has reviewed the contract register and has determined that there are no finance leasing arrangements. All other leases are classified as operating leases.

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

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

The PCC as Lessee (Operating Lease)

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent free period at the commencement of the lease).

The PCC as Lessor (Operating Lease)

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Q. 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 PCC 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 Net Expenditure on Continuing Services.

R. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition:
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the PCC and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential; (ie repairs and maintenance) is charged as an expense when it is incurred.
The PCC has a de minimis level for Plant and Equipment of £20,000 for single or aggregated items. All assets in respect of Land and Buildings, and Vehicles are recorded on the asset register.

Measurement:
Assets are initially measured at cost, comprising;

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

The PCC does not capitalise borrowing costs incurred whilst assets are under construction.
The cost of assets acquired other than by purchase is deemed to be fair value; the PCC has not acquired any asset via an exchange. The PCC does not have any donated asses capitalised on its Balance Sheet.

Assets are then carried in the Balance Sheet using the following measurement bases:
- Assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
Where non property assets that have short lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation

Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of loss previously charged to the service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

<u>Depreciation</u>:
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land), and assets that are not yet available for use (ie, assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

- Plant and equipment – straight line over the life of the asset as advised by a suitably qualified officer, with full annual depreciation in year of purchase and no depreciation in year of disposal.
- Vehicles - straight line over the life of the asset as advised by a suitably qualified officer, with full annual depreciation in year of purchase and no depreciation in year of disposal.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The PCC has set a de-minimis value of £1.5m before the components of an asset has to be separately valued.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

<u>Disposals and Non-Current Assets Held for Sale</u>

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell up to a maximum of 4%. Where there is a subsequent decrease in fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on provisions of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the PCC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

S. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Group is deemed to control the services that are provided under the PFI schemes, and for the Police Investigation Units (PICs) ownership of the property, plant and equipment will pass to the Group at the end of the contract for no additional charge, the PCC carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The liability was written down by an initial contribution as follows;

- 2001 the Operations and Communications Centre (OCC) - £28.598 million
- 2011 the Police Investigations Centres (PIC) – £38.994 million

Non-Current Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the PCC.

The amounts payable to the PFI operators each year are analysed into five elements;

- Fair value of the services received during the year – debited to the relevant service in the CC's Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the PCC's Financing and Investment Income section within the Comprehensive Income and Expenditure Statement as follows;
    - OCC – 12.03%
    - PIC – 7.46%
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income section within the PCC's Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the PCC's Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – contained within the unitary charge and debited to the relevant service in the CC's Comprehensive Income and Expenditure Statement.

T. PROVISIONS

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Group may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Group Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the PCC Balance Sheet. Estimated settlements are reviewed at the end of the financial year – where it becomes less than probable that the transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Group settles the obligation.

U. CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made 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.

V. RESERVES

The PCC sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Group. These reserves are explained in the relevant policies.

W. 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.
Where the VAT is irrecoverable it is included in the relevant service line of the Group Comprehensive Income and Expenditure Statement. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (i.e., purchase of command platform vehicles). The irrecoverable VAT for 2014/15 is £10,773 (£19,377 for 2013/14).

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 14 to 30, the Group has had to make the following judgements about complex transactions or those involving uncertainty about future events.

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

4. 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 Group 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;

- Provisions – see note 19 on page 58 and 59
- LGPS and police pension actuarial assumptions - see note 35 and tables on pages 89 and 99
- Depreciation on buildings – see note 9 on page 44 to 49
- Council Tax Doubtful Debts – see note 38 and table on pages 102 and 103

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

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 Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and 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 Group are required to be paid and out of which all liabilities of the Group 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 Group is statutorily empowered to spend on services or on capital investment (or the deficit of resources that the Group is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserves shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the PCC has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Group Usable Reserves 2014/15	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	4,821			(4,821)
Revaluation losses on Property, Plant and Equipment	664			(664)
Amortisation of intangible assets	215			(215)
Capital grants and contributions applied	(1,833)			1,833
Amounts on non current assets written off on disposal or sale as part of the gains or losses on disposal to the Comprehensive Income and Expenditure Statement	(16)			16
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(2,662)			2,662
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,712)		1,712	0
Application of grants to capital financing transferred to the Capital Adjustment Account	1,833		(1,833)	0
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement		(335)		335
Use of Capital Receipts Reserve to finance new capital expenditure		335		(335)

Group Usable Reserves 2014/15 - continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	12			(12)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	92,537			(92,537)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,778)			21,778
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(865)			865
Adjustments primarily involving the Accumulated Absences Account:				
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	71,223	0	(121)	(71,102)

Group Usable Reserves 2013/14 (Comparator)	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	4,506			(4,506)
Revaluation losses on Property, Plant and Equipment	867			(867)
Amortisation of intangible assets	236			(236)
Capital grants and contributions applied	(3,128)			3,128
Amounts on non current assets written off on disposal or sale as part of the gains or losses on disposal to the Comprehensive Income and Expenditure Statement	187			(187)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(1,968)			1,968
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,631)		1,631	0
Application of grants to capital financing transferred to the Capital Adjustment Account	3,128		(3,128)	0
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement		334		(334)
Use of Capital Receipts Reserve to finance new capital expenditure		(334)		334

Group Usable Reserves 2013/14 (Comparator) - continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11			(11)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	96,821			(96,821)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,603)			20,603
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(495)			495
Adjustments primarily involving the Accumulated Absences Account:				
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	77,889	0	(1,497)	(76,392)

PCC Usable Reserves 2014/15	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	4,821			(4,821)
Revaluation losses on Property, Plant and Equipment	664			(664)
Amortisation of intangible assets	215			(215)
Capital grants and contributions applied	(1,833)			1,833
Amounts on non current assets written off on disposal or sale as part of the gains or losses on disposal to the Comprehensive Income and Expenditure Statement	(16)			16
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(2,662)			2,662
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,712)		1,712	0
Application of grants to capital financing transferred to the Capital Adjustment Account	1,833		(1,833)	0
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement		(335)		335
Use of Capital Receipts Reserve to finance new capital expenditure		335		(335)

PCC Usable Reserves 2014/15 - continued	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	12			(12)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	518			(518)
Employer's pension contributions and direct payments to pensioners payable in the year	(110)			110
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(865)			865
Total Adjustments	865	0	(121)	(744)

PCC Usable Reserves 2013/14 (Comparator)	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	4,506			(4,506)
Revaluation losses on Property, Plant and Equipment	867			(867)
Amortisation of intangible assets	236			(236)
Capital grants and contributions applied	(3,128)			3,128
Amounts on non current assets written off on disposal or sale as part of the gains or losses on disposal to the Comprehensive Income and Expenditure Statement	187			(187)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(1,968)			1,968
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,631)		1,631	0
Application of grants to capital financing transferred to the Capital Adjustment Account	3,128		(3,128)	0
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement		334		(334)
Use of Capital Receipts Reserve to finance new capital expenditure		(334)		334

PCC Usable Reserves 2013/14 (Comparator) - continued	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11			(11)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	154			(154)
Employer's pension contributions and direct payments to pensioners payable in the year	(89)			89
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(495)			495
Total Adjustments	1,778	0	(1,497)	(281)

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside by the PCC from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
OCC Unitary Charge	**2,000**	(80)		**1,920**	(80)		**1,840**
PIC Unitary Charge	**456**	(18)		**438**	(18)		**420**
Insurance Reserve	**786**			**786**			**786**
Operational Contingency	**400**			**400**			**400**
Budget Support Reserve	**19,521**	(41)	2,302	**21,782**	(1,712)	1,344	**21,414**
Invest to Save Reserve	**2,000**			**2,000**	(434)	62	**1,628**
Job Evaluation Reserve	**3,200**			**3,200**			**3,200**
Safety Camera Reserve	**1,194**	(553)	539	**1,180**	(202)	1,038	**2,016**
PCC Reserve	**539**		120	**659**		358	**1,017**
TOTAL	**30,096**	**(692)**	**2,961**	**32,365**	**(2,446)**	**2,802**	**32,721**

<u>OCC Unitary Charge</u>

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

<u>PIC Unitary Charge</u>

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

Insurance Reserve

Since October 2005 the Authority has self-funded the first £250,000 of each and every employer and public liabilities insurance claim and each and every motor claim.

Operational Contingency

To provide for the additional cost of operations over and above that held within the revenue budget for periods where a high level of incidents occur in a relatively short space of time.

Budget Support Reserve

As part of the approved financial strategy this reserve will be used to smooth the effects of budget shortfalls over future financial years.

Invest to Save Reserve

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

Job Evaluation Reserve

To provide for the potential additional cost of regrading's following the Job Evaluation review.

Safety Camera Reserve

Required for the repair, replacement and improvement of equipment and vehicles used within the Safety Camera Partnership and as a contingency for potential redundancy and scheme closure costs should the partnership arrangements come to an end.

PCC Reserve

Previously the Norfolk Police Authority Reserve this reserve allows for potential non budgeted costs relating to and following the appointment of the Police & Crime Commissioner in November 2012.

9. PROPERTY, PLANT AND EQUIPMENT

PCC movements in 2014/15	Land and Buildings £000	Police Houses £000	Furniture Plant & Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included £000
Cost or Valuation								
At 1 April 2014	68,584	840	17,231	8,364	415	1,560	96,994	48,143
Additions	121		1,645	1,342		2,812	5,920	
Revaluation increases/(decreases) recognised in the Revaluation reserve	(1,735)	55					(1,680)	1,012
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(286)						(286)	388
Derecognition - disposals	(22)		(1,904)	(1,138)			(3,064)	
Derecognition - other	(2)		(33)			(2)	(37)	
Assets reclassified from Assets under Construction to Operational Assets	20					(20)	0	
Assets reclassified (to)/from Held for sale					(415)		(415)	
At 31 March 2015	**66,680**	**895**	**16,939**	**8,568**	**0**	**4,350**	**97,432**	**49,543**

PCC movements in 2014/15 - continued	Land and Buildings £000	Police Houses £000	Furniture Plant & Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included £000
Accumulated Depreciation and Impairment								
At 1 April 2014	8,266	53	10,980	3,974	2	0	23,275	4,873
Depreciation charge	1,651	17	2,467	1,030	4		5,169	1,382
Depreciation written out to the Revaluation Reserve	(3,337)	(68)					(3,405)	(2,857)
Depreciation written out to the Surplus/Deficit on the Provision of Services							0	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							0	
Derecognition - disposals	(1)		(1,892)	(943)			(2,836)	
Other movements in depreciation and impairment	(3,015)			2	(6)		(3,019)	(388)
At 31 March 2015	**3,564**	**2**	**11,555**	**4,063**	**0**	**0**	**19,184**	**3,010**

Net Book Value								
at 31 March 2015	**63,116**	**893**	**5,384**	**4,505**	**0**	**4,350**	**78,248**	**46,533**
at 31 March 2014	**60,318**	**787**	**6,251**	**4,390**	**413**	**1,560**	**73,719**	**43,270**

PCC movements in 2013/14 (Comparator)	Land and Buildings £000	Police Houses £000	Furniture Plant & Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included £000
Cost or Valuation								
At 1 April 2013	69,590	840	16,693	7,683	188	987	95,981	48,096
Additions	323		1,339	1,466		1,207	4,335	47
Revaluation increases/(decreases) recognised in the Revaluation reserve	(300)				252		(48)	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(894)					(87)	(981)	
Derecognition - disposals	(206)		(1,122)	(820)			(2,148)	
Derecognition - other	(4)						(4)	
Assets reclassified from Assets under Construction to Operational Assets	75		321	35		(547)	(116)	
Assets reclassified (to)/from Held for sale					(25)		(25)	
At 31 March 2014	**68,584**	**840**	**17,231**	**8,364**	**415**	**1,560**	**96,994**	**48,143**

PCC movements in 2013/14 (Comparator) - continued	Land and Buildings £000	Police Houses £000	Furniture Plant & Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included £000
Accumulated Depreciation and Impairment								
At 1 April 2013	7,409	36	9,565	3,914	3	0	20,927	3,669
Depreciation charge	1,497	17	2,538	705	3		4,760	1,204
Depreciation written out to the Revaluation Reserve	(145)				(4)		(149)	
Depreciation written out to the Surplus/Deficit on the Provision of Services	(122)						(122)	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(254)						(254)	
Derecognition - disposals	(13)		(1,123)	(641)			(1,777)	
Other movements in depreciation and impairment	(106)			(4)			(110)	
At 31 March 2014	**8,266**	**53**	**10,980**	**3,974**	**2**	**0**	**23,275**	**4,873**

Net Book Value								
at 31 March 2014	**60,318**	**787**	**6,251**	**4,390**	**413**	**1,560**	**73,719**	**43,270**
at 31 March 2013	**62,181**	**804**	**7,128**	**3,769**	**185**	**987**	**75,054**	**44,427**

Depreciation

Assets are depreciated over their useful life .The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – of between 30 and 60 years. No depreciation is charged on land. Components are depreciated separately with an estimated life of between 10 and 60 years.
- Police Houses – of between 30 and 40 years.
- Vehicles, Plant, Furniture and Equipment – The estimated life of vehicles are between 1 and 10 years and of plant, furniture and equipment between 3 and 10 years.

The PCC has set a de minimis value of £1.5m before the components of an asset are valued separately. This judgement was based on an estimate of the property (excluding land) held by the PCC and splitting the building elements into components in accordance with the Building Cost Information Service (BICS) as advised by the Valuer. Depreciation recalculated on this basis would have the effect of increasing the annual depreciation shown within the accounts by less that £0.028m per year which is not considered to have a material effect.

Assets are depreciated over useful lives and are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the PCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.034m for every year that useful lives had to be reduced.

Capital Commitments

At 31 March 2015, the PCC has entered contracts for the enhancement and replacement of vehicles and equipment in 2015/16 and future years budgeted to cost £0.799m. Similar commitments at 31 March 2014 were £1.976m.

The major commitments are:

- Athena Regional Crime Management and Case Preparation system (replacement of system) - £0.539m
- Vehicle replacements - £0.092m
- Carbon Management – £0.099m
- Livelink - joint project with Suffolk £0.122m of which the Norfolk share is £0.069m.

Revaluations

The PCC carries out a rolling programme that ensures that all property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The external valuer, Carter Jonas, has valued properties with an effective date of 1st September 2014. The valuation was carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment were carried out internally and based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The following statement shows the progress of the PCC's rolling programme for the valuation of non-current assets:

Group Vauations of Non-Current Assets	**Land and Buildings**	**Police Houses**	**Furniture Plant and Equipment**	**Vehicles**	**TOTAL**
	£000	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	211		5,384	4,505	10,100
Valued at fair value as at					
31 March 2015	25,292	893			26,185
31 March 2014	2,817				2,817
31 March 2013	3,165				3,165
31 March 2012	24,618				24,618
31 March 2011	7,013				7,013
Total Valuation	**63,116**	**893**	**5,384**	**4,505**	**73,898**

The Assets under Construction of £4.350m as shown in the Property, Plant and Equipment table for 2014/15 (see Note 9 pages 44 and 45) have not been included in the programme for the valuation of non-current assets.

10. HERITAGE ASSETS

The PCC's collections of documents and artefacts which have been retained over a number of years have been collected to increase the knowledge, understanding and appreciation of the Constabulary.

At no time has a valuation been made of the collection. No information on cost or value is available as such items are rarely seen at auction and thus the Group does not consider that reliable cost or valuation information can be obtained for the items held within the collection. As such, as the cost of obtaining a valuation on several thousand items in the collection would outweigh the benefits to the users of the financial statements this collection has not been recognised on the Balance Sheet.

11. INTANGIBLE ASSETS

The PCC accounts for software and intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the PCC. The intangible assets include the following purchased licenses;

- Software licences were purchased for various IT systems during 2005/06 which were written off over 5 years. The use of the Innkeeper Licensing software has been extended to 2014/15.
- Software was purchased during 2008/09 for the Stores System and the Police National Database which were written off over 5 years. The use has now been extended into 2014/15.
- Software has been purchased during 2009/10 for the Casualty Reduction Partnership and Protective Services which are being written off over 5 years.
- Software has been purchased during 2010/11 for a vetting database which is being written off over 5 years.
- Software has been purchased during 2011/12 for the central control room and duties management which are being written off over 5 years.
- Software has been purchased during 2012/13 and 2013/14 for central control room which is being written off over 10 years.
- Automated Number Plate Recognition software has been purchased during 2014/15 which is being written off over 5 years.

The carrying amount of intangible assets is amortised over a straight line basis. The amount of amortisation of £215k in 2014/15 (£236k in 2013/14) was charged to Corporate Capital financing cost centre and then absorbed as an overhead across the service headings in the Net Expenditure of Services within the Comprehensive Income and Expenditure Statement.

The movement on Intangible Asset balances during the year is as follows:

PCC Intangible Assets	**Software Licences £000**	**Software Purchases £000**	**2014/15 TOTAL £000**	**Software Licences £000**	**Software Purchases £000**	**2013/14 TOTAL £000**
Balance at start of year						
- Gross carrying amount	95	1,282	**1,377**	95	1,166	**1,261**
- Accumulated Amortisation	(62)	(801)	**(863)**	(49)	(578)	**(627)**
Net carrying amount at start of year	33	481	**514**	46	588	**634**
Additions - Purchases		106	**106**		14	**14**
Assets reclassified from Assets under Construction			**0**		116	**116**
Derecognition		(9)	**(9)**		(14)	**(14)**
Amortisation for the period	(11)	(204)	**(215)**	(13)	(223)	**(236)**
Net carrying amount at end of year	**22**	**374**	**396**	**33**	**481**	**514**
Comprising:						
- Gross carrying amount	95	1,379	1,474	95	1,282	1,377
- Accumulated amortisation	(73)	(1,005)	(1,078)	(62)	(801)	(863)
	22	**374**	**396**	**33**	**481**	**514**

12. FINANCIAL INSTRUMENTS

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

Financial Instruments in Balance Sheet	Group Current 31 March 2015 £000	Group Current 31 March 2014 £000	Group Long Term 31 March 2015 £000	Group Long Term 31 March 2014 £000	PCC Current 31 March 2015 £000	PCC Current 31 March 2014 £000	PCC Long Term 31 March 2015 £000	PCC Long Term 31 March 2014 £000
Investments								
Loans and receivables	20,128	18,116			20,128	18,116		
	20,128	**18,116**	**0**	**0**	**20,128**	**18,116**	**0**	**0**
Debtors								
Balances as per Balance Sheet	11,224	6,910			11,224	6,910		
Balances relating to Council Tax	(3,147)	(2,006)			(3,147)	(2,006)		
Prepayments	(1,288)	(1,145)			(1,288)	(1,145)		
Loans and receivables	**6,789**	**3,759**	**0**	**0**	**6,789**	**3,759**	**0**	**0**
Borrowings								
Financial borrowings at amortised cost			13,161	13,161			13,161	13,161
	0	**0**	**13,161**	**13,161**	**0**	**0**	**13,161**	**13,161**
Other long term liabilities								
PFI finance lease liabilities	808	741	63,563	64,371	808	741	63,563	64,371
	808	**741**	**63,563**	**64,371**	**808**	**741**	**63,563**	**64,371**
Creditors								
Balances as per Balance Sheet	17,942	11,508	624	780	17,462	11,035	624	780
Balances relating to Council Tax	1,141	(865)			1,141	(865)		
Balances relating to PFI finance lease liabilities	(808)	(741)			(808)	(741)		
	18,275	**9,902**	**624**	**780**	**17,795**	**9,429**	**624**	**780**

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

Financial Instruments in PCC's CIES	2014/15 Financial Liabilities at amortised cost £000	2014/15 Loans and Receivables £000	2014/15 Total £000	2013/14 Financial Liabilities at amortised cost £000	2013/14 Loans and Receivables £000	2013/14 Total £000
Expense						
Interest Expense	757		757	765		765
PFI Interest	6,097		6,097	6,158		6,158
PFI Expense	642		642	669		669
Total in Surplus or Deficit on the provision of Services	**7,496**	**0**	**7,496**	**7,592**	**0**	**7,592**
Income						
Interest income		(275)	(275)		(287)	(287)
Total in Surplus or Deficit on the provision of Services	**7,496**	**(275)**	**7,221**	**7,592**	**(287)**	**7,305**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Other than for PWLB the carrying amount equals fair value using the following assumptions:

- estimated ranges of interest rates at 31 March 2015 of 4.25% to 8.0% for loans from the PWLB
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

- the carrying amount of the PFI liability is a reasonable estimate of fair value and the carrying amount of the relevant assets are valued according to the accounting policies R and S on pages 25 to 29.

All borrowing is from the PWLB at fixed rates of interest. As transaction costs are not material the carrying value of the loan is recognised in the balance sheet at the outstanding amount of the loan. The fair value of the PWLB portfolio is;

PCC Borrowing	31 March 2015 Carrying amount £000	31 March 2015 Fair value £000	31 March 2014 Carrying amount £000	31 March 2014 Fair value £000
PWLB fair value	**13,161**	**20,442**	**13,161**	**17,493**

13. INVENTORIES

PCC Inventories	Uniform and Clothing 2014/15 £000	Uniform and Clothing 2013/14 £000	Vehicle Fuel and Oil 2014/15 £000	Vehicle Fuel and Oil 2013/14 £000	Total 2014/15 £000	Total 2013/14 £000
Balance outstanding at start of year	**183**	**260**	**28**	**35**	**211**	**295**
Purchases	486	290	1,413	1,620	1,899	1,910
Recognised as an expense in the year	(431)	(298)	(1,416)	(1,627)	(1,847)	(1,925)
Written off balances	(22)	(69)	0	0	(22)	(69)
Balance outstanding at year end	**216**	**183**	**25**	**28**	**241**	**211**

14. DEBTORS

The balance of PCC Debtors is made up of the following elements:

	31 March 2015 £000	31 March 2014 £000
Central Government Bodies	4,601	1,358
Other Local Authorities	3,788	3,410
NHS Bodies	0	39
Other Entities and Individuals	2,835	2,103
Total Debtors	**11,224**	**6,910**

Amounts relating to the Council Tax accrued income (see note 38 on pages 102 and 103) are outside of accounting provisions as they are statutory debt and do not give rise from contracts. These amounts of £3.147m in 2014/15 (£2.006m in 2013/14) have been included within the 'Other Local Authorities' line above.

15. CASH AND CASH EQUIVALENTS

The balance of PCC Cash and Cash Equivalents is made up of the following elements:

	31 March 2015 £000	31 March 2014 £000
Cash held by the PCC	25	7
Bank current accounts	120	93
Short term deposits with Banks and Building Societies	12,852	14,119
Total Cash and Cash equivalents	**12,997**	**14,219**

Fixed term deposits were placed by the PCC with financial institutions as follows;

Period of Investment	Ceased Loans £000	Current Loans £000	Year end accrued interest £000	Balance Sheet value £000	Investment Institution
28.05.2013 to 27.05.2014	10,000				Lloyds
14.08.2013 to 13.08.2014	8,000				National Westminister
27.11.2014 to 27.03.2015	5,000				Nationwide Building Society
30.05.2014 to 29.05.2015		10,000	80	10,080	Lloyds
21.08.2014 to 20.08.2015		10,000	48	10,048	Commonwealth Bank of Australia
Balance as at 31 March 2015		**20,000**	**128**	**20,128**	

16. ASSETS HELD FOR SALE

The balance of PCC Assets Held for Sale is made up of the following elements:

	Current Assets 2014/15 £000	Current Assets 2013/14 £000
Balance outstanding at start of year	325	575
Assets newly classified as held for sale:	409	325
- Property, Plant and Equipment		
Revaluation gains		12
Assets sold	(325)	(287)
Transfers to non current assets		(300)
Balance outstanding at year end	409	325

17. CREDITORS

The balance of Creditors is made up of the following elements:

	Group 31 March 2015 £000	Group 31 March 2014 £000	PCC 31 March 2015 £000	PCC 31 March 2014 £000
Current Creditors				
Central Government Bodies	7,983	3,124	7,983	3,124
Other Local Authorities	3,132	2,951	3,132	2,951
NHS bodies	36	51	36	51
Other Entities and Individuals	6,791	5,382	6,311	4,909
Total Current Creditors	**17,942**	**11,508**	**17,462**	**11,035**
Long Term Creditors				
Other Local Authorities	624	780	624	780
Total Long Term Creditors	**624**	**780**	**624**	**780**
Total Creditors	**18,566**	**12,288**	**18,086**	**11,815**

Amounts relating to the Council Tax accrued income (see note 38 on pages 102 and 103) are outside of accounting provisions as they are statutory debt and do not give rise from contracts. These amounts of £1.141m in 2014/15 (£0.865m in 2013/14) have been included within the 'Other Local Authorities' line above.

Following the Local Government reorganisation in 1974, outstanding borrowing on functions transferred to the Police Authority from the County Council remained with the County Council, but the costs of repaying the loans are charged to the Group. The total debt due to be paid by the PCC at 31 March 2015 is £0.780m of which £0.156m is due to be paid within one year.

Included in creditors are the following amounts relating to the liability which is due to be settled within one year for the PFI as shown in note 33 on pages 84 to 87.

- OCC £298,648 (£266,572 in 2013/14)
- PIC £509,410 (£474,051 in 2013/14).

Central Government Bodies has increased in 2014/15 by £4.85m due to the PCC administering two funds in partnership with the Home Office to support non-statutory organisations supporting victims and survivors of child sexual abuse. The PCC was chosen to support the Home Office by administering this grant due to the position of the Norfolk CC as the National Policing Lead for Child Protection and Abuse Investigation and the commitment of the PCC to supporting victims of sexual abuse as evidenced through his Police and Crime Plan.

18. PROVISIONS

The balance of PCC Provisions is made up of the following elements:

	Insurance £000	Compensation £000	Workforce Modernisation £000	Pension £000	Total £000
Balance as at 1 April 2014	**529**	**7**	**181**	**240**	**957**
Additional provisions made in 2014/15	315	68	295	34	**712**
Amounts used in 2014/15	(345)	(64)	(181)	(176)	**(766)**
Unused amounts reversed in 2014/15	(118)	0	0	(50)	**(168)**
Balance at 31 March 2015	**381**	**11**	**295**	**48**	**735**
Current Liabilities	253	11	295	48	**607**
Long Term Liabilities	128	0	0	0	**128**

<u>Insurance</u>

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

<u>Compensation</u>

The Provision balance as at 31 March 2014 was to provide for two new cases, one of which was settled during 2014/15. The balance as at 31 March 2015 is to provide the one outstanding case from 2013/14 and one new case. As these cases are subject to legal and other investigative proceedings no further details can be provided.

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

Workforce Modernisation

The provision balance as at 31 March 2014 was to provide for pension strain and redundancy payment for nine members of staff who was given redundancy notice following a workforce modernisation programme during 2013/14 but who did not leave the Constabulary until after 1 April 2014. The balance as at 31 March 2015 is to provide for twelve members of staff given notice prior to 1 April 2015 but who will not leave the Constabulary until after 1 April 2015.

Pension

A provision balance of £75k as at 31 March 2014 was to provide for the lump sum capital payment for a police officer given notice of ill-health retirement prior to 1 April 2014 but who did not leave the Constabulary until after 1 April 2014. The balance as at 31 March 2015 is to provide for one police pensioner awarded an injury pension prior to 1 April 2015 which was not paid until after 1 April 2015

A provision of £402k was originally made to cover the tax liability on pension commutation for two members of staff who were re-employed by the Constabulary following retirement as police officers. The liability which was subject to agreement with HMRC was finalised during 2014/15. The balance as at 31 March 2014 is the liability which may be due by HMRC during 2015/16.

19. 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.

Insurance claim –

A claim has been received under the Force public liability policy. The claim is being robustly defended and therefore liability is possible but not probable. It is also not certain as to the value of the potential liability although the maximum exposure for the force would be £0.250m as the excess limit under the policy. The timing of any liability is also uncertain as the insurers and legal department will review the claim in due course.

20. USABLE RESERVES

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement on pages 1 to 4 and note 8 to the accounts on page 42 and 43.

21. UNUSABLE RESERVES

Movements in unusable reserves are detailed in the below tables;

Unusable Reserves	Group		PCC	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Revaluation Reserve	8,192	3,905	8,192	3,905
Capital Adjustment Account	(19,358)	(18,371)	(19,358)	(18,371)
Financial Instruments Adjustment Account	51	63	51	63
Collection Fund Adjustment Account	2,006	1,141	2,006	1,141
Accumulated Absences Account	(480)	(473)	0	0
Pensions Reserve	(1,522,147)	(1,295,834)	(623)	(428)
Total Unusable Reserves	**(1,531,736)**	**(1,309,569)**	**(9,732)**	**(13,690)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCC arising from increases in the value of Property, Plant and Equipment, and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	**Group**				**PCC**			
		2014/15 £000		**2013/14 £000**		**2014/15 £000**		**2013/14 £000**
Balance at 1 April		**3,905**		**3,913**		**3,905**		**3,913**
Difference between fair value depreciation and historical cost depreciation	4,522		127		4,522		127	
Accumulated gains on assets sold or scrapped	(235)		(135)		(235)		(135)	
Amount written off to the Capital Adjustment Account		**4,287**		**(8)**		**4,287**		**(8)**
Balance at 31 March		**8,192**		**3,905**		**8,192**		**3,905**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the PCC as finance for the costs of acquisition, construction and enhancement.

The Account contains gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. It also contains gains recognised as donated assets that have yet to be consumed by the PCC. Note 9 on pages 44 to 49 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	**Group**				**PCC**			
	2014/15 £000		**2013/14 £000**		**2014/15 £000**		**2013/14 £000**	
Balance at 1 April		**(18,371)**		**(17,755)**		**(18,371)**		**(17,755)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(4,821)		(4,506)		(4,821)		(4,506)	
Revaluation losses on Property, Plant and Equipment	(664)		(867)		(664)		(867)	
Amortisation of Intangible Assets	(215)		(236)		(215)		(236)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(319)		(521)		(319)		(521)	
	(6,019)		(6,130)		(6,019)		(6,130)	
Adjusting amount written out of the Revaluation Reserve	202		84		202		84	
Amount written off to the Capital Adjustment Account		**(5,817)**		**(6,046)**		**(5,817)**		**(6,046)**
Capital financing applied in the year:								
Use of the Capital Receipts Reserve to finance new capital expenditure	335		334		335		334	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that	1,712		1,631		1,712		1,631	
Application of grants to capital financing from the Capital Grants Unapplied Account	121		1,497		121		1,497	
Statutory provision for the financing of capital investment charged against the General Fund	1,556		1,500		1,556		1,500	
Capital expenditure charged against the General Fund	1,106		468		1,106		468	
		4,830		**5,430**		**4,830**		**5,430**
Balance at 31 March		**(19,358)**		**(18,371)**		**(19,358)**		**(18,371)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The PCC uses the Account to manage discounts received on the early redemption of loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are received, but reversed to the General Fund Balance from the Account in the Movement in Reserves Statement. Over time, the income is posted from the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the PCCs case, this period is 10 years from when the loan was redeemed. As a result, the balance on the Account at 31 March 2015 will be recovered from the General Fund during the next 5 years.

Financial Instruments Adjustment Account	**Group** 2014/15 £000	2013/14 £000	**PCC** 2014/15 £000	2013/14 £000
Balance at 1 April	**63**	**74**	**63**	**74**
Discounts allowed in the year charged to the Comprehensive Income and Expenditure Statement				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(12)	(11)	(12)	(11)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(12)**	**(11)**	**(12)**	**(11)**
Balance at 31 March	**51**	**63**	**51**	**63**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income to the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	Group 2014/15 £000	Group 2013/14 £000	PCC 2014/15 £000	PCC 2013/14 £000
Balance at 1 April	**1,141**	**646**	**1,141**	**646**
Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	865	495	865	495
Balance at 31 March	**2,006**	**1,141**	**2,006**	**1,141**

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	Group			
	£000		£000	
Balance at 1 April		**(473)**		**(515)**
the preceding 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 Group 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 Group makes employer's contributions to pension funds or eventually pay for any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Group 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	Group		PCC	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Balance at 1 April	**(1,295,834)**	**(1,332,835)**	**(428)**	**(516)**
Actuaries opening balance adjustment			**428**	
Restated Balance at 1 April	**(1,295,834)**		**0**	
Actuarial gains and (losses) on pension assets and liabilities	(155,554)	113,219	(215)	153
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	(92,537)	(96,821)	(518)	(154)
Employer's pension contributions and direct payments to pensioners payable in the year	21,778	20,603	110	89
Balance at 31 March	**(1,522,147)**	**(1,295,834)**	**(623)**	**(428)**

22. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

	Group				PCC			
	2014/15		2013/14		2014/15		2013/14	
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments for non cash or cash equivalent items within deficit on provision of services;								
Depreciation & impairment of fixed assets	(5,700)		(5,609)		(5,700)		(5,609)	
Pension cost adjustment from IAS19	(70,759)		(76,218)		(408)		(65)	
Internal capital movement met from revenue	(261)		(412)		(261)		(412)	
Other movements	343		286		343		286	
Contributions (to) / from provisions	222		80		222		80	
Increase / (decrease) Inventories	30		(84)		30		(84)	
Increase / (decrease) Debtors	4,314		(4,029)		4,314		(4,029)	
(Increase) / decrease Creditors	(6,278)		5		(6,271)		(37)	
		(78,089)		**(85,981)**		**(7,731)**		**(9,870)**
The cash flows for operating ativities include;								
Interest Received		(275)		(287)		(275)		(287)
Interest Paid		757		765		757		765
PFI Capital Interest and Contingent Rent		6,739		6,827		6,739		6,827

23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

PCC	2014/15 £000	2013/14 £000
Purchase of property, plant and equipment and intangible assets	6,026	4,349
Proceeds from the sale of property, plant and equipment and intangible assets	(335)	(334)
Purchase of short term investments	20,000	18,000
Proceeds from short term investments	128	116
Other receipts from investing activities	(18,116)	(7,586)
Net cash flow from investing activities	**7,703**	**14,545**

24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

PCC	2014/15 £000	2013/14 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases in balance sheet for PFI contracts	741	679
Net cash flows from financing activities	**741**	**679**

25. 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 Group, summarised by the principal Service Departments recorded in the budget reports for the year, is as follows:

Income and Expenditure 2014/15	Commissioner	Chief Constable				Group
	Office of Police & Crime Commissioner £000	Joint Collaborative Units £000	Commands & Support £000	Departments £000	Corporate £000	Total £000
Fees, charges and other service income	(3)	(845)	(3,641)	(960)	(1,887)	**(7,336)**
Government grants	(986)	(109)	(987)	(558)	(10,161)	**(12,801)**
Other grants & contributions	(8)	(29)	(293)	(15)	0	**(345)**
Total Income	**(997)**	**(983)**	**(4,921)**	**(1,533)**	**(12,048)**	**(20,482)**
Employee expenses	751	41,747	78,185	2,485	5,621	**128,789**
Other service expenses	2,247	11,687	5,080	6,751	13,726	**39,491**
Total Expenditure	**2,998**	**53,434**	**83,265**	**9,236**	**19,347**	**168,280**
Net Expenditure	**2,001**	**52,451**	**78,344**	**7,703**	**7,299**	**147,798**
Transfers to / (from) Reserves	**356**					**356**
Net Expenditure	**2,357**	**52,451**	**78,344**	**7,703**	**7,299**	**148,154**

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)	Commissioner	Chief Constable				Group
	Office of Police & Crime Commissioner £000	Joint Collaborative Units £000	Commands & Support £000	Departments £000	Corporate £000	Total £000
Fees, charges and other service income	0	(688)	(2,787)	(396)	(2,185)	**(6,056)**
Government grants	(28)	(41)	(322)	(13)	(10,298)	**(10,702)**
Other grants & contributions	(38)	0	(549)	(19)	0	**(606)**
Total Income	**(66)**	**(729)**	**(3,658)**	**(428)**	**(12,483)**	**(17,364)**
Employee expenses	1,065	39,496	78,828	3,265	4,928	**127,582**
Other service expenses	1,158	11,613	4,522	7,145	12,862	**37,300**
Total Expenditure	**2,223**	**51,109**	**83,350**	**10,410**	**17,790**	**164,882**
Net Expenditure	**2,157**	**50,380**	**79,692**	**9,982**	**5,307**	**147,518**
Transfers to / (from) Reserves	**2,269**					**2,269**
Net Expenditure	**4,426**	**50,380**	**79,692**	**9,982**	**5,307**	**149,787**

Group 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	2013-2014 £000
Net expenditure in the Analysis	148,154	149,787
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	19,330	23,681
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(6,918)	(8,171)
Net Cost of Policing in Comprehensive Income and Expenditure Statement	**160,566**	**165,297**

Group 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	Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	**Net Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges and other service income	(7,061)	0	0	**(7,061)**	0	**(7,061)**
Interest and investment income	(275)	0	275	**0**	(275)	**(275)**
Income from council tax	0	0	0	**0**	(55,990)	**(55,990)**
Government grants and contributions	(13,146)	0	3,309	**(9,837)**	(98,050)	**(107,887)**
Total Income	**(20,482)**	**0**	**3,584**	**(16,898)**	**(154,315)**	**(171,213)**
Employee expenses	128,789	13,630	0	**142,419**	57,136	**199,555**
Other service expenses	39,090	0	(9,745)	**29,345**	6,739	**36,084**
Depreciation, amortisation and impairment	0	5,700	0	**5,700**	0	**5,700**
Interest payments	757	0	(757)	**0**	757	**757**
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	**0**	(16)	**(16)**
Total Expenditure	**168,636**	**19,330**	**(10,502)**	**177,464**	**64,616**	**242,080**
Surplus or deficit on the provision of services	**148,154**	**19,330**	**(6,918)**	**160,566**	**(89,699)**	**70,867**

2013/14 (Comparator)	Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	**Net Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges and other service income	(5,769)	0	0	**(5,769)**	0	**(5,769)**
Interest and investment income	(287)	0	287	**0**	(287)	**(287)**
Income from council tax	0	0	0	**0**	(53,547)	**(53,547)**
Government grants and contributions	(11,308)	0	3,360	**(7,948)**	(101,726)	**(109,674)**
Total Income	**(17,364)**	**0**	**3,647**	**(13,717)**	**(155,560)**	**(169,277)**
Employee expenses	127,582	18,072	0	**145,654**	58,104	**203,758**
Other service expenses	38,804	0	(11,053)	**27,751**	6,827	**34,578**
Depreciation, amortisation and impairment	0	5,609	0	**5,609**	0	**5,609**
Interest payments	765	0	(765)	**0**	765	**765**
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	**0**	187	**187**
Total Expenditure	**167,151**	**23,681**	**(11,818)**	**179,014**	**65,883**	**244,897**
Surplus or deficit on the provision of services	**149,787**	**23,681**	**(8,171)**	**165,297**	**(89,677)**	**75,620**

PCC 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	2,357	4,426
Movement between PCC/CC outturn	4,979	3,035
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	6,093	5,637
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(6,918)	(8,171)
Cost of Policing Services in Comprehensive Income and Expenditure Statement	**6,511**	**4,927**

PCC 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	(3)	(126)	(129)	0	0	**(129)**	0	**(129)**
Interest and investment income	0	(275)	(275)	0	275	**0**	(275)	**(275)**
Income from council tax	0	0	0	0	0	**0**	(55,990)	**(55,990)**
Government grants and contributions	(994)	(6,756)	(7,750)	0	3,309	**(4,441)**	(98,050)	**(102,491)**
Total Income	**(997)**	**(7,157)**	**(8,154)**	**0**	**3,584**	**(4,570)**	**(154,315)**	**(158,885)**
Employee expenses	751	442	1,193	393	0	**1,586**	15	**1,601**
Other service expenses	2,603	10,937	13,540	0	(9,745)	**3,795**	6,739	**10,534**
Depreciation, amortisation and impairment	0	0	0	5,700	0	**5,700**	0	**5,700**
Interest payments	0	757	757	0	(757)	**0**	757	**757**
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	0	0	**0**	(16)	**(16)**
Total Expenditure	**3,354**	**12,136**	**15,490**	**6,093**	**(10,502)**	**11,081**	**7,495**	**18,576**
Intra Group Adjustment							**140,818**	**140,818**
Surplus or deficit on the provision of services	**2,357**	**4,979**	**7,336**	**6,093**	**(6,918)**	**6,511**	**(6,002)**	**509**

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	0	(236)	(236)	0	0	**(236)**	0	**(236)**
Interest and investment income	0	(287)	(287)	0	287	**0**	(287)	**(287)**
Income from council tax	0	0	0	0	0	**0**	(53,547)	**(53,547)**
Government grants and contributions	(66)	(7,477)	(7,543)	0	3,360	**(4,183)**	(101,726)	**(105,909)**
Total Income	**(66)**	**(8,000)**	**(8,066)**	**0**	**3,647**	**(4,419)**	**(155,560)**	**(159,979)**
Employee expenses	1,065	342	1,407	28	0	**1,435**	37	**1,472**
Other service expenses	3,427	9,928	13,355	0	(11,053)	**2,302**	6,827	**9,129**
Depreciation, amortisation and impairment	0	0	0	5,609	0	**5,609**	0	**5,609**
Interest payments	0	765	765	0	(765)	**0**	765	**765**
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	0	0	**0**	187	**187**
Total Expenditure	**4,492**	**11,035**	**15,527**	**5,637**	**(11,818)**	**9,346**	**7,816**	**17,162**
Intra Group Adjustment							**142,326**	**142,326**
Surplus or deficit on the provision of services	**4,426**	**3,035**	**7,461**	**5,637**	**(8,171)**	**4,927**	**(5,418)**	**(491)**

26. MEMBERS' ALLOWANCES

The total amount of allowances and expenses paid to members of the Audit Committee in 2014/15 was £11,520 (£4,389 in 2013/14). The number of members increased from 3 to 5 in September 2014.

27. OFFICERS' REMUNERATION

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

Postholder information	Year	Salary, Fees and Allces £	Expense Allces £	Benefits in Kind £	Total Excl. Pension Contribs £	Employer's Pension Contribs £	Total Incl. Pension Contributions £
Police & Crime Commissioner - Stephen Bett	2014/15	70,000	300	0	**70,300**	12,530	**82,830**
	2013/14	70,000	300	0	**70,300**	11,480	**81,780**
Deputy Police & Crime Commissioner	2014/15	56,665	18	0	**56,683**	10,143	**66,826**
Jenny McKibben	2013/14	56,327	270	0	**56,597**	9,238	**65,835**
Chief Executive	2014/15	85,156	1,331	0	**86,487**	15,243	**101,730**
- Appointed 21.10.13	2013/14	35,022	46	0	**35,068**	5,744	**40,812**
Head of Staff - Retired 30.11.13	2013/14	75,133	67	6,337	**81,537**	12,322	**93,859**
Chief Finance Officer (works 22.5 hrs/week)	2014/15	47,814	0	0	**47,814**	0	**47,814**
- Appointed 02.01.14 (Current)	2013/14	11,803	0	0	**11,803**	0	**11,803**
- Retired 09.02.14 (Previous)	2013/14	44,343	0	0	**44,343**	0	**44,343**

The remuneration paid to senior police officers and staff designated as ACPO officers within the Constabulary are 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) - Appointed 01.04.14	2014/15	33,646	0	0	0	**33,646**	0	**33,646**

The Assistant Chief Constable (in post 2 to18.07.14 above) had executive portfolio with Suffolk Constabulary under joint arrangements (see Note 39 on page 104). 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);

Group Remuneration band	2014/15 Number of Employees	2013/14 Number of Employees
£50,000 - £54,999	5	7
£55,000 - £59,999	6	6
£60,000 - £64,999	1	0
£65,000 - £69,999	1	1
£70,000 - £74,999	1	1
£75,000 - £79,999	2	2
£80,000 - £84,999	4	4
£85,000 - £89,999	1	0
£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

OPCCN Remuneration band	2014/15 Number of Employees	2013/14 Number of Employees
£55,000 - £59,999	1	1
£70,000 - £74,999	1	1
£80,000 - £84,999	0.6	1
£85,000 - £89,999	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 35 on pages 89 to 99.

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.

28. 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 PCC and Group. A scale fee variation increase was agreed for work undertaken on governance within the Office of the PCC and for extra work on the financial statements, financial resilience and dual role of the PCC and CC Chief Finance Officer in 2013/14.

	Group		PCC	
	Planned Fees 2014/15 £	Restated Fees 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	**65,100**	**69,175**	**45,100**	**48,090**

29. GRANT INCOME

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

PCC Grant Income	2014/15 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Other Government Grants		
PFI Grant OCC	3,309	3,346
Loan Charges Grant		14
Total	**3,309**	**3,360**
Capital Grants and Contributions		
Capital Grant	1,273	1,235
Home Office	371	258
Local Authority Partnership	127	117
Other Organisations	62	21
Total	**1,833**	**1,631**

Grant Income	Group 2014/15 £000	Group 2013/14 £000	PCC 2014/15 £000	PCC 2013/14 £000
Credited to Services				
PFI Grant PICs	3,448	3,448	3,448	3,448
Single Counter Terrorism Grant	3,956	2,822		
Ministry of Justice	903		903	
Community Safety Fund		669		669
Home Office Innovation Fund	129			
Partnership Funding	322	573	8	38
Criminal Records Bureau	301	310		
Operation Hydrant (National operation overseen by CC)	257	0		
Other grants	498	92	82	27
Sponsorship and Donations	23	32		
Total	**9,837**	**7,946**	**4,441**	**4,182**

30. RELATED PARTIES

The Group 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 Group. Disclosure of these transactions allows readers to assess the extent to which the Group 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 Group. It is responsible for providing the statutory framework, within which the Group operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in note 25 on pages 68 to 76 on reporting for resources allocation decisions.

Officers

The PCC 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.

31. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets under PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the PCC, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the PCC that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Financing Requirement	**2014/15 £000**	**2013/14 £000**
Opening Capital Financing Requirement	89,023	90,104
Capital Investment		
Property, Plant and Equipment	5,920	4,335
Intangible Assets	106	14
Sources of Finance		
Capital receipts	(335)	(334)
Government Grants & Other Contributions	(1,833)	(3,128)
Sums set aside from revenue:		
Direct revenue contributions	(1,106)	(468)
Minimum Revenue Provision	(1,399)	(1,344)
Other Adjustments		
Transferred Debt Repayment	(156)	(156)
Closing Capital Financing Requirement	**90,220**	**89,023**
Explanation of Movements in Year		
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	1,197	(1,081)
Increase/(decrease) in Capital Financing Requirement	**1,197**	**(1,081)**

32. LEASES

PCC as Lessee

The PCC has a number of properties on short term lease arrangements which have been accounted for as operating leases.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £757,891 (£678,702 in 2013/14).

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2015 £000	31 March 2014 £000
No later than one year	668	714
Later than one year and not later than five years	1,388	1,689
Later than five years	680	817
Operating leases as Lessee	**2,736**	**3,220**

PCC as Lessor

The PCC has granted several leases on properties which have been accounted for as operating leases. The total rentals receivable in 2014/15 was £32,440 (£42,876 in 2013/14).

The future minimum lease payments receivable under uncancellable leases in future years are:

	31 March 2015 £000	31 March 2014 £000
No later than one year	24	25
Later than one year and not later than five years	27	29
Later than five years	13	19
Operating leases as Lessor	**64**	**73**

This income relates to 5 leases for which only part of a property is being leased.

33. PRIVATE FINANCE INITIATIVES

1. Operations and Communications Centre at Wymondham

The Group 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 assets used to provide the accommodation are recognised on the Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance at note 9 on pages 44 to 49.

The Group makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2013 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Group				PCC		
	Payment of Services	Repayment of Capital Expenditure	Interest	Total	Repayment of Capital Expenditure	Interest	Total
	£000	£000	£000	£000	£000	£000	£000
Payable in 2015/16	1,327	299	3,439	5,065	299	3,439	3,738
Payable within 2 to 5 years	5,292	1,600	13,370	20,262	1,600	13,370	14,970
Payable within 6 to 10 years	7,395	3,350	14,582	25,327	3,350	14,582	17,932
Payable within 11 to 15 years	7,622	5,914	11,791	25,327	5,914	11,791	17,705
Payable within 16 to 20 years	8,503	10,437	6,387	25,327	10,437	6,387	16,824
Payable within 21 to 22 years	3,073	5,251	(363)	7,961	5,251	(363)	4,888
Total	**33,212**	**26,851**	**49,206**	**109,269**	**26,851**	**49,206**	**76,057**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the contractor for capital expenditure incurred by the PCC is as follows:

	2014/15 £000	2013/14 £000
Balance outstanding at start of year	27,117	27,355
Payments during the year	266	238
Balance outstanding at year-end	**26,851**	**27,117**

2. <u>Police Investigations Centres (PIC)</u>

In 2005 the Police Authorities of Norfolk, Suffolk and Cambridgeshire agreed to purchase land sites within the 3 counties prior to acquiring Police Investigation Centres under a PFI arrangement which were opened during the financial years 2010-2011 and 2011-2012. The agreement made provision to procure the following joint sites:

Land Aquired at	Date	Aquiring Force	%	Contributing Force	%	Balance Sheet £000
Kings Lynn	May 2007	Norfolk	67	Cambridgeshire	33	299
Bury St. Edmunds	March 2009	Suffolk	70	Norfolk	30	480
Gt. Yarmouth	December 2009	Norfolk	50	Suffolk	50	330

The amounts given in the above table shows the proportion and value of the PIC land owned which is held on the Balance Sheet as at 31 March 2015.

The PFI contract for the 6 PIC’s within Norfolk and Suffolk was signed on 23 February 2010. Cambridgeshire is no longer a party to this agreement but has agreed to reimburse Norfolk for the use of one third of the King’s Lynn PIC. The total paid by Cambridgeshire in 2014/15 for the unitary charge and running costs was £694k (£671k in 2013/14).

The total asset value of Aylsham, Wymondham and Kings Lynn are held on the Norfolk Group Balance Sheet as these PICs are not shared with Suffolk Constabulary and the PIC at Ipswich is held on the Suffolk Group Balance Sheet as this site is not shared with Norfolk Constabulary. The value of Great Yarmouth and Bury St. Edmunds are held on the Balance Sheet of each PCC in the proportion of the number of cells acquired.

The below table identifies the PIC and the percentage to be held on each Balance Sheet with the value being that held on the Norfolk PCC Balance Sheet in 2014/15.

PIC	Service Commencement Date	Norfolk % on Balance Sheet	Suffolk % on Balance Sheet	Balance Sheet £000
Aylsham	28.02.2011	100	0	4,998
Wymondham	04.04.2011	100	0	9,058
Kings Lynn	25.04.2011	100	0	7,771
Ipswich	06.06.2011	0	100	0
Bury St. Edmunds	04.07.2011	33.33	66.67	3,084
Gt. Yarmouth	07.11.2011	50	50	3,948

Movements in the asset value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance at note 9 on pages 44 to 49.

During the financial years 2010-2011 to 2040-2041 the Norfolk and Suffolk Group 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 Group have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the 6 properties located in the 2 Counties - this being Norfolk 58.2% and Suffolk 41.8%. The payment made by the Group during 2014/15 was £4.776 million (£4.710m in 2013/14).

The Group makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2015 (which exclude any availability/performance deductions), are shown in the following table;

	Group				PCC		
	Payment of Services	**Repayment of Capital Expenditure**	**Interest**	**Total**	**Repayment of Capital Expenditure**	**Interest**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Payable in 2015/16	1,471	509	3,182	**5,162**	509	3,182	**3,691**
Payable within 2 to 5 years	7,328	2,447	11,348	**21,123**	2,447	11,348	**13,795**
Payable within 6 to 10 years	9,533	4,236	13,797	**27,566**	4,236	13,797	**18,033**
Payable within 11 to 15 years	12,850	6,070	10,095	**29,015**	6,070	10,095	**16,165**
Payable within 16 to 20 years	14,858	8,698	7,098	**30,654**	8,698	7,098	**15,796**
Payable within 21 to 25 years	13,531	12,463	6,515	**32,509**	12,463	6,515	**18,978**
Payable within 26 years	5,301	3,097	(2,227)	**6,171**	3,097	(2,227)	**870**
Total	**64,872**	**37,520**	**49,808**	**152,200**	**37,520**	**49,808**	**87,328**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the contractor for capital expenditure incurred by the PCC is as follows:

	2014/15	**2013/14**
	£000	**£000**
Balance outstanding at start of year	37,994	38,435
Payments during the year	474	441
Balance outstanding at year-end	**37,520**	**37,994**

34. TERMINATION BENEFITS

The Group terminated the contracts of 35 employees in 2014/15 (16 in 2013/14), incurring liabilities of £656k (£475k in 2013/14). The PCC terminated no contracts of employees in 2014/15 (5 in 2013/14 incurring liabilities of £260k).

These liabilities, made up of pension strain and redundancy payments, were paid to members of staff made redundant as part of the Group'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 Group 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.

Group 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	9	0	0	25	9	251	73
£20,001 - £40,000	6	2	0	1	6	3	171	78
£40,001- £60,000	2	2	1	0	3	2	141	93
£60,001- £80,000	0	1	0	0	0	1	0	66
£80,001- £100,000	1	0	0	0	1	0	93	
£100,001- £150,000	0	1	0	0	0	1	0	147
Total	**34**	**15**	**1**	**1**	**35**	**16**	**656**	**457**

PCC 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	0	2	0	0	0	2	0	20
£40,001- £60,000	0	2	0	0	0	2	0	93
£100,001- £150,000	0	1	0	0	0	1	0	147
Total	**0**	**5**	**0**	**0**	**0**	**5**	**0**	**260**

35. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Group makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Group 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. Details of the schemes can be found in the supplementary statement on pages 108 to 110.

- 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 Group 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 Group 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 PCC 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.

	Group										PCC	
	Local Government Pension Scheme		Police Pension Scheme 2014/15				Police Pension Scheme 2013/14				Local Government Pension Scheme	
	2014/15	2013/14	Old Scheme	Injury Award	New Scheme	Total	Old Scheme	Injury Award	New Scheme	Total	2014/15	2013/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement												
Net Cost of Services:												
- Current service cost	6,932	7,251	21,760	1,100	5,280	28,140	23,940	1,160	6,320	31,420	121	117
- Past service cost	263	6	0	50	0	50	0	40	0	40	37	0
- Gains/losses from settlements	16	0	0	0	0	0	0	0	0	0	345	0
Financing and Investment Income and Expenditure												
- Net interest expense	1,946	2,314	51,230	1,730	2,230	55,190	50,910	2,630	2,250	55,790	15	37
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	9,157	9,571	72,990	2,880	7,510	83,380	74,850	3,830	8,570	87,250	518	154
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)	(12,841)	(1,865)	0	0	0	0	0	0	0	0	(70)	(30)
- Actuarial gains and losses arising on changes in demographic assumptions	0	4,630	(38,180)	(18,140)	(4,830)	(61,150)	(300)	50	(80)	(330)	0	75
- Actuarial gains and losses arising on changes in financial assumptions	33,593	(16,629)	205,580	7,700	12,250	225,530	(35,690)	(1,290)	(3,460)	(40,440)	286	(268)
- Other	(1,258)	4,361	(48,927)	18,410	2,197	(28,320)	(42,678)	(23,080)	2,812	(62,946)	(1)	70
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**28,651**	**68**	**191,463**	**10,850**	**17,127**	**219,440**	**(3,818)**	**(20,490)**	**7,842**	**(16,466)**	**733**	**1**
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	(9,157)	(9,571)	(72,990)	(2,880)	(7,510)	(83,380)	(74,850)	(3,830)	(8,570)	(87,250)	(518)	(154)
Actual amount charged against the General Fund Balance for pensions in the year:	5,798											
- Employers' contributions payable to scheme		5,529									110	89
- 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 Group's obligation in respect of the defined benefits plan is as follows:

	Group				PCC	
	Local Government Pension Scheme		Police Pension Scheme		Local Government Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Present value of defined benefit obligation	(225,740)	(180,692)	(1,454,160)	(1,250,700)	(1,563)	(1,880)
Fair value of plan assets	157,753	135,558	0	0	940	1,452
Net liability arising from defined benefit obligation	**(67,987)**	**(45,134)**	**(1,454,160)**	**(1,250,700)**	**(623)**	**(428)**

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

	Group				PCC	
	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Scheme		Funded Assets Local Government Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening estimated fair value of scheme assets at 31 March		**123,797**	**0**	**0**		**1,263**
Opening actuarial fair value of scheme assets at 31 March	**135,558**				**0**	
Fair value of employer assets					688	
Effects of settlement						
Interest income	5,832	5,661			33	91
Remeasurement gain/(loss):						
- the return on plan Assets, excluding the amount included in the net interest expense	12,841	1,865			70	30
- other			16,820	14,406		
Contributions from employer	5,798	5,529	15,980	15,074	110	89
Contributions from employees into the scheme	2,039	2,061	7,570	7,250	39	33
Benefits paid	(4,315)	(3,355)	(40,370)	(36,730)		(54)
Closing fair value of scheme assets	**157,753**	**135,558**	**0**	**0**	**940**	**1,452**

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

	Group				PCC	
	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Police Pension Scheme		Funded Liabilities Local Government Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening estimated balance at 31 March		**(174,392)**	**(1,250,700)**	**(1,282,240)**		**(1,779)**
Opening Actuarial balance at 31 March	**(180,692)**				**0**	
Present value of funded liabilities	(1,033)				(1,033)	
Effects of settlement	1,017					
Current service costs	(6,932)	(7,251)	(28,140)	(31,420)	(121)	(117)
Interest cost	(7,778)	(7,975)	(55,190)	(55,790)	(48)	(128)
Remeasurement (gains) and losses:						
- Actuarial gains/losses arising from changes in demographic assumptions	0	(4,630)	61,150	330	0	(75)
- Actuarial gains/losses arising from changes in financial assumptions	(33,593)	16,629	(225,530)	40,440	(286)	268
- Other	1,258	(4,361)	11,500	48,540	1	(70)
Past service cost	(263)	(6)	(50)	(40)	(37)	(0)
Liabilities assumed on entity combinations	(2,039)	(2,061)	(7,570)	(7,250)	(39)	(33)
Benefits paid	4,315	3,355	40,370	36,730	0	54
Liabilities extinguished on settlements (where relevant)						
Closing fair value of scheme assets	**(225,740)**	**(180,692)**	**(1,454,160)**	**(1,250,700)**	**(1,563)**	**(1,880)**

Total of assets and liabilities of the schemes

	Group				PCC	
	Local Government Pension Scheme		Police Pension Scheme		Local Government Pension Scheme	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening estimated balance at 31 March		**(50,595)**	**(1,250,700)**	**(1,282,240)**		**(516)**
Opening actuarial balance at 31 March for CC	**(45,134)**					
Opening actuarial balance at 1 April for PCC	**(345)**				**(345)**	
Effect of settlements	329				0	
Current service costs	(6,932)	(7,251)	(28,140)	(31,420)	(121)	(117)
Interest cost	(1,946)	(2,314)	(55,190)	(55,790)	(15)	(37)
Remeasurement (gains) and losses:						
- the return on plan Assets, excluding the amount included in the net interest expense	12,841	1,865	0	0	70	30
- Actuarial gains/losses arising from changes in demographic assumptions	0	(4,630)	61,150	330	0	(75)
- Actuarial gains/losses arising from changes in financial assumptions	(33,593)	16,629	(225,530)	40,440	(286)	268
- Other	1,258	(4,361)	28,320	62,946	1	(70)
Past service cost	(263)	(6)	(50)	(40)	(37)	(0)
Contributions from employer	5,798	5,529	15,980	15,074	110	89
Closing fair value of scheme assets	**(67,987)**	**(45,134)**	**(1,454,160)**	**(1,250,700)**	**(623)**	**(428)**

Local Government Pension Scheme assets comprised:

	PCC 2014/15 £000	CC 2014/15 £000	Group 2014/15 £000	Restated PCC 2013/14 £000	Restated CC 2013/14 £000	Group 2013/14 £000
Cash and cash equivalents	**25**	**4,184**	**4,209**	**16**	**3,460**	**3,476**
Equity instruments - by industry type:						
- Consumer	40	6,742	6,782	42	8,194	8,236
- Manufacturing	50	8,318	8,368	38	7,515	7,553
- Energy and utilities	21	3,453	3,474	22	4,192	4,214
- Financial institutions	60	10,085	10,145	42	8,401	8,443
- Health and care	32	5,303	5,335	20	3,832	3,852
- Information technology	32	5,328	5,360	12	2,412	2,424
- Other	48	7,947	7,995	29	5,990	6,019
Sub total equity	**283**	**47,176**	**47,459**	**205**	**40,537**	**40,742**
Bonds - by sector:						
- Corporate	40	6,597	6,637	28	5,637	5,665
- Other	1	170	171	3	475	478
Sub total bonds	**41**	**6,767**	**6,808**	**31**	**6,113**	**6,144**
Property - by type:						
- UK Property	100	16,656	16,756	71	13,437	13,508
- Overseas Property	11	1,912	1,923	9	2,001	2,010
Sub total property	**111**	**18,568**	**18,679**	**80**	**15,439**	**15,519**
Private equity - all:	**62**	**10,313**	10,375	**49**	**9,277**	**9,326**
Other investment funds:						
- Equities	378	63,116	63,494	197	39,010	39,207
- Bonds	39	6,494	6,533	110	20,976	21,086
Sub total other investment funds	**417**	**69,610**	**70,027**	**307**	**59,987**	**60,294**
Derivatives:	**1**	**195**	**196**	**1**	**58**	**59**
Total Assets	**940**	**156,813**	**157,753**	**689**	**134,869**	**135,558**

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 98.

The principal assumptions used by the actuaries have been:

	PCC Local Government Pension Scheme		CC Local Government Pension Scheme		CC Police Pension Scheme	
	2014/15	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Mortality assumptions:						
Longevity of 65 for current pensioners:						
Men	22.1	22.1	22.1	22.1	23.3	23.4
Women	24.3	24.3	24.3	24.3	25.7	25.9
Longevity of 65 for future pensioners:						
Men	24.5	24.5	24.5	24.5	25.4	25.6
Women	26.9	26.9	26.9	26.9	27.9	28.0
Rate of Inflation	2.5%	2.8%	2.4%	2.8%	2.4%	2.8%
Rate of increase in salaries	3.4%	3.6%	3.3%	3.6%	4.2%	4.5%
Rate of increase in pensions	2.5%	2.8%	2.4%	2.8%	2.2%	2.5%
Rate of discounting scheme liabilities	3.3%	4.3%	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	PCC Local Government Pension Scheme		CC Local Government Pension Scheme		CC Police Pension Scheme Old Scheme		CC 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	Approximate % increase to Employers Liability £000	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	17%	268	13%	28,390	11.6%	157,000	17.3%	9,900
1 year increase in member life expectancy	3%	47	3%	6,725	2.5%	33,000	0.5%	300
0.5% increase in the Salary Increase Rate	10%	157	5%	11,705	1.7%	22,000	7.3%	4,200
0.5% increase in the Pension Increase Rate	6%	101	7%	15,975	9.3%	126,000	8.1%	4,700

The liabilities show the underlying commitments that the Group has in the long run to pay post-employment (retirement) benefits. The total liability of £1,522.147m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,494.529m.

However, statutory arrangements for funding the deficit mean that the financial position of the Group 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 Group'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

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The PCC's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due.
- Liquidity Risk – the possibility that funds might not be available to meet commitments to make payments.
- Market Risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

The PCC's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund the service. Risk Management is carried out within the Financial Services Department in liaison with the Chief

Financial Officer, under policies approved by the PCC in the annual Treasury Management Strategy. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the PCCs customers.

The risk is minimised through the Annual Investment and Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. Deposits are made either on overnight or short term fixed deposits of less than 12 months with banks and financial institutions which have a high credit rating.

The PCC does not allow credit for customers and as at 31 March 2015 £0.517m (£0.180m in 2013/14) was past its due date for payment. These debts are actively chased according to the Debt Recovery and Write-Off Policy. The past due but not impaired amount is analysed by age as follows:

	31 March 2015 £000	**31 March 2014 £000**
Less than three months	489	156
Three to six months	4	6
Six months to one year	14	0
More than one year	10	18
	517	**180**

Liquidity Risk

The PCC has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the PCC has ready access to borrowings from bank overdraft facilities, the money markets and the Public Works Loans Board (only for capital purposes). There is no significant risk that it will be unable to raise finance to meet commitments under financial instruments. Instead, the risk is that the PCC will be bound to replenish a significant proportion of borrowings at a time of unfavourable interest rates. The level of interest rates charged by the PWLB is linked to the rate at which the Government borrows and is usually significantly cheaper that the equivalent market loan.

The maturity of financial liabilities is as below:

	31 March 2015 £000	31 March 2014 £000
Less than 1 year	400	0
Between one and two years	0	400
Between two and ten years	3,328	1,650
Between ten and fifteen years	3,466	5,144
Between fifteen and twenty years	2,344	2,344
Between forty and forty five years	3,623	3,623
	13,161	**13,161**

A ruling of the former Department of the Environment, Transport and the Regions (DETR) states that the borrowing on loans transferred from Norfolk County Council is not borrowing for the purposes of the Local Government Housing Act 1989. Such loans are classified as transferred debt and have been shown as long term creditors (see related note 17 on page 57).

All trade and other payables are due to be paid in less than one year, except those relating to the 2 PFI schemes. See note 33 on pages 84 to 87.

Market Risk

Interest Rate Risk -

The PCC is exposed to risk in terms of exposure to interest rate movements on borrowings and investments. Movements in interest have a complex impact. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowing at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

All investments at fixed rates made by the PCC are for less than 12 months and as such the fair value is equal to the current carrying amount of the investment.

All borrowing is from the PWLB at fixed rates of interest. As transaction costs are not material the carrying value of the loan is recognised in the balance sheet at the outstanding amount of the loan. The fair value the PWLB portfolio is £20.442 in 2014/15 (£17,493m in 2013/14).

Price risk:
The PCC does not invest in equity shares and thus has no exposure to loss arising from movements in share value.

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

37. 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 Group (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 Group 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 £34,175 (£33,916 in 2013/14).

38. COUNCIL TAX

The precept, which is paid over to the PCC by the Norfolk District Councils, is the money raised from Council Tax to provide funding towards the net budget. The net amount comprises money due for the year, adjusted for surpluses or deficits on the District Council collection fund for previous years. Details of the amounts received and owed from/ (to) each of the District Councils (billing authorities) are shown in the table below.

Billing Authority	2014/15 Precept Received In year £000	2014/15 Adjustment for Accrued Amount £000	2014/15 Income & Expenditure Account Total £000	2013/14 Precept Received In year £000	2013/14 Adjustment for Accrued Amount £000	2013/14 Income & Expenditure Account Total £000
Breckland	7,773	400	8,173	7,502	280	7,782
Broadland	8,683	101	8,784	8,524	(36)	8,488
Kings Lynn & West Norfolk	9,931	(158)	9,773	9,410	(1)	9,409
Norwich	6,782	214	6,996	6,593	58	6,651
Great Yarmouth	5,371	3	5,374	5,160	24	5,184
North Norfolk	7,643	74	7,717	7,340	110	7,450
South Norfolk	8,943	231	9,174	8,523	60	8,583
Total Council Tax	**55,126**	**865**	**55,991**	**53,052**	**495**	**53,547**

The Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund has been taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement, see note 21 on pages 60, 63 and 64.

The following table shows the movements which have been included in the Balance Sheet.

	2014/15 £000	2013/14 £000
Council Tax Arrears	3,084	2,853
Allowance for Doubtful Debts	(1,418)	(1,422)
Council Tax Prepayments	(924)	(865)
Cash	1,264	575
Collection Fund Deficit	(2,006)	(1,141)

The figure for doubtful debts has been estimated by the 7 District Councils based on past experience. The effect of the accuracy in these assumptions cannot be measured.

39. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Norfolk and Suffolk Joint Arrangements -

The Group 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 PCC'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	2267	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 14 to 30.

Summary of Arrangements

The Group 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 Group to set up a new police pension fund account established under the Police Pension Fund Regulations 2007. Contributions from the Group (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 Group 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 pages 9 to 11) is £1,522m (£1,296m in 2013/14). See also Note 35 on pages 89 to 99.

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

POLICE PENSION FUND ACCOUNT	2014/15 Old Scheme £000	2014/15 New Scheme £000	2014/15 Total £000	2013/14 Old Scheme £000	2013/14 New Scheme £000	2013/14 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

ACCRUAL ACCOUNTING

The inclusion of income and expenditure in the accounts for the period in which they are earned or incurred, rather than the period in which the cash is received or bills paid.

AGENCY ARRANGEMENTS

Services that are performed by or for another Authority or Public Body, where the Agent is reimbursed for the cost of the work done.

ASSET

An item owned by the Group, which has a value, for example, land & buildings, vehicles, equipment, cash.

BUDGET

The statement of the Group's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see revenue expenditure), and the Capital Budget plans for asset acquisitions and replacements (see capital expenditure).

CAPITAL EXPENDITURE

Expenditure on the acquisition, creation or enhancement of a non-current / fixed asset that lasts normally for more than one year or expenditure that adds to the life or value of an existing non-current asset.

CAPITAL GRANTS RECEIPTS IN ADVANCE

The amount of unused capital grants and contributions held for future capital purposes.

CAPITAL RECEIPTS

Monies received for the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The document replaces the income and expenditure account and records the income and expenditure for the year on an accruals basis.

COLLECTION FUND

District Councils estimate the extent to which they will successfully collect Council Tax in their area. Any surplus or deficit resulting from actual collections is carried forward to the next financial year.

CREDITORS

Amounts owed by the Group for goods and services provided for which payment has not been made at the end of the financial year.

DE MINIMIS

The level of expenditure below which assets will not be classified as non-current assets.

DEBTORS

Sums of money due to the Group but not received at the end of the financial year.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

FAIR VALUE

Used as an estimate of the market value of an asset (or liability) for which a market price cannot be determined (usually because there is no established market for the asset).

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.

FINANCE AND OPERATING LEASE

A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the Group's revenue account.

GOVERNMENT GRANTS

Grants paid by the Government. These can be for general expenditure or for a particular initiative.

IMPAIRMENT

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

INTANGIBLE ASSETS

Intangible assets are assets that do not have physical substance but are identifiable and are controlled by the Group through custody or legal rights.

INVENTORY

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

MINIMUM REVENUE PROVISION (MRP)

The minimum sum which must be charged to the Group's revenue account each year to provide for the repayment of loans. This ensures that the PCC makes a satisfactory annual provision for loan repayments.

NET BOOK VALUE

The amount at which non-current assets are included in the balance sheet, meaning their historical cost or current value less the cumulative amounts allowed for depreciation.

NON CURRENT ASSETS

Assets that yield benefits to the Group and the services it provides for a period of more than one year.

OUTTURN

The actual amount spent in the financial year.

POLICE ACCOUNTABILITY PANEL

The Police Accountability Panel meets bi-monthly and the purpose of the meeting is to hold the Chief Constable to account and to enable issues to be discussed and decisions to be made in public.

PENSION FUND

A fund that makes pension payments on the retirement of its participants.

POLICE GRANT

From 1 April 1995 police grant has been allocated by the Home Office as a source of funding using highly complex needs based formula.

PRECEPT

The income which the PCC requires a District Council to raise from Council Tax.

PROVISION

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

PWLB

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

RESERVES

A reserve is an amount set aside 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, general running expenses and the minimum revenue provision cost.

VALUE ADDED TAX (VAT)

A tax on consumer expenditure which is collected on business transactions at each stage in the supply, but which is ultimately borne by the final customer. Most of the VAT paid by the Group is recoverable.