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# EXPLANATORY FOREWORD

## Introduction

On 15 September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament representing a significant change in the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace the Norfolk Police Authority (NPA) with a newly elected Police and Crime Commissioner for Norfolk (PCC), who was established as a corporation sole. At the same time the Chief Constable (CC) for Norfolk Constabulary was established as a separate body, via creation of a separate corporation sole, responsible for the operational policing of Norfolk.

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 both corporations' sole form the PCC for the Norfolk Group for accounting purposes.

The Revenue Budget and Capital Programme for 2012-2013 were agreed by the Norfolk Police Authority on 21st February 2012. From April 2012 to November 2012, the Norfolk Police Authority was responsible for the management of the Revenue Budget and Capital Programme and received budget monitoring reports at its committee meetings during this period. On 15th November 2012, Stephen Bett was elected as the Norfolk Police and Crime Commissioner (PCC). From 22nd November 2012, the PCC was responsible for managing the Revenue Budget and Capital Programme for the remainder of the year. The responsibilities of the PCC, determined by the Police Reform and Social Responsibility Act 2011, include:

- Publishing a Police and Crime Plan
- Holding the Chief Constable to account for the running of the force
- Agreeing the police budget for the year and the level of the precept
- Working with partner organisations e.g. criminal justice agencies and build on collaboration arrangements with other organisations
- Publishing an Annual Report setting out progress against strategic priorities in the Police and Crime Plan.

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

All the financial transactions incurred during 2012-2013 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 2013.

The Foreword provides an overview of the new accounting arrangements and outlines the financial performance during 2012-2013.

The 2012-2013 accounts are the first to be prepared under these new arrangements. As the holding parent, the PCC guarantees any outstanding liability by the Chief Constable who is a 100% subsidiary. These financial statements are for the PCC Group and constitute those for the PCC and CC.

The Statement of Accounts for the 2012-2013 financial year are set out on the following pages. Where possible, 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 to help the reader's understanding.

## 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 Code is prepared on the basis that the published Statement of Accounts gives interested parties, including electors and employees, clear information about the PCCs finances, and allows the accounts to be comparable with other police accounts.

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 Norfolk Constabulary
- The scheme of delegation between the PCC and the Chief Constable

The Government is phasing in its reforms, the first phase allows for the assets, liabilities and reserves belonging to Norfolk Police Authority to be transferred to The PCC for Norfolk. The Scheme of Delegation determines the responsibilities of each of the two bodies during phase one of the reforms and Financial Regulations underpin the use of the Commissioners' assets and staff by the Chief Constable. The second phase, to be completed 31 March 2014, is for the PCC and the CC to reach a local agreement on the assets and staff to be transferred from the PCC to the CC.

During the first phase, which covers these accounts, whilst the CC has day to day control over most of the PCC's assets, daily direction and control over all police officers and a great majority of police staff, the level of financial and strategic control held by the PCC means that on balance, transactions, benefits and liabilities sit within the accounts of the PCC and there are no transactions or balances within the CC's accounts. In particular:

- Assets, officers and staff are employed in delivery of the PCC's Police and Crime plan through which the PCC sets the strategic direction of the Constabulary.
- The PCC has control of all income and therefore ultimately the levels of officers and staff employed.

- The PCC has control of the funding to purchase and receives all income from the disposal of all non-current assets.

- The PCC holds the Police Fund and agrees the CC's delegated budget determining the resource envelope in which he operates under the PCC's Scheme of Governance. The budget is funded from income received by the PCC, with any under or overspends falling to him.

- The financial relationship between the PCC and the CC is determined by the scheme of delegation and financial regulations. As such all transactions are undertaken in the PCC's name.

The PCC for Norfolk retains control of the assets transferred by the Police Reform Act and in addition receives all income and funding and makes all payments for the Group from the Police Fund. There have therefore been no transactions undertaken by the Chief Constable during 2012-2013 therefore the financial statements for the PCC for Norfolk Group are also the Financial Statements for the PCC for Norfolk.

The Accounts of the Police & Crime Commissioner (PCC) for 2012-2013, which will be the basis for the Audit Opinion, are set out on Pages 6 to 131 and consist of;

- **Financial Review** – this outlines the Revenue and Capital spending in 2012-2013 and the financing, major changes to the Accounts from 2011-2012 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.

- **Annual Governance Statement** – this statement is a statutory document which sets out how the PCC has ensured that there are proper arrangements for governance of affairs allowing effective exercise of functions including the arrangements for the management of risk, during the financial year.

- **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. 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 Cashflow 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 net revenue spending, i.e. after taking into account income raised from fees and charges, is funded from Government Grants, a nationally operated Business Rates Pool 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 2012-2013 the PCC received 60% funding from Central Government (including business rates), 36% 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 2012-2013 was £145.870m.

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 92 to 93.

| | 2012-2013 £000 | 2011-2012 £000 |
|---|---|---|
| Commissioner | 1,057 | 1,081 |
| Reserves | 4,369 | 8,276 |
| Total OPCCN | 5,426 | 9,357 |
| Chief Constable | 140,444 | 139,263 |
| Group | 145,870 | 148,620 |

The final outturn position for the year (see note 25 on pages 91 and 92) 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 30 and 31. Budgets were moved during the year as Joint Collaborative Units were set up and budgets finalised.

| | Final Revised Budget £000 | Outturn £000 |
|---|---|---|
| OPCCN | 1,264 | 1,057 |
| Command & Support | 90,274 | 86,995 |
| Departments | 23,630 | 22,961 |
| Joint Collaborative Units | 28,225 | 27,192 |
| Corporate | 2,477 | 3,296 |
| Net Expenditure on Police Services | 145,870 | 141,501 |
| Net Transfer to Reserves | | 4,369 |
| | 145,870 | 145,870 |
| Funded By - | | |
| Police Grants | 53,682 | 53,682 |
| Revenue Support Grant | 617 | 617 |
| Business Rates | 31,830 | 31,830 |
| Council Tax | 59,741 | 59,741 |
| Total Funding | 145,870 | 145,870 |

The Net Transfer to Reserves of £4.369m represents the difference between final outturn and external funding. This amount has been transferred to earmarked reserves (see note 9 on page 65) 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. The PCC planned to reduce the Constabulary workforce in light of these budgetary constraints although it was not possible to plan precisely when officers and staff would leave. Allied to this was the phased introduction of some collaborated departments during the year (see note 39 on page 126). Major variations also occurred in supplies and services, whereby some significant unanticipated savings were made on new contracts and there was a general slowing down of expenditure in a number of non pay budgets. This was partly due to a number of set-aside contingency budgets not required and the slowing down of expenditure ahead of forthcoming collaboration and the future paring down of budgets. When the budget for 2013-2014 was approved some allowance was made for the above issues.

The difference between the outturn figure of £145.870m and the Net Cost of Policing within the Comprehensive Income and Expenditure Statement of £149.926m is £4.056m which is made up of the following transactions;

| | **£000** |
|---|---|
| Loss on the disposal of Non Current Assets | 185 |
| Interest Payable and Similar Charges | 7,578 |
| Interest and Investment Income | (274) |
| Pension Interest Cost and Expected Return on Pension Assets | 55,039 |
| Adjustment to Precepts | (32) |
| Other Government Grants | (3,328) |
| Capital Grant | (1,647) |
| Movement on the General Fund Balance | (61,577) |
| **Total Difference** | **(4,056)** |

## Capital Expenditure and Financing

The total capital spending for 2012-2013 was £4.569m against an approved capital programme of £6.440m.

The Treasury Management Strategy for 2012-2013 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 £11.021 million was financed internally in the financial years 2009-2010 to 2011-2012. 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 pages 103 and 104.

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 non current assets portfolio is valued at £75.688m.

## Provisions and Reserves

Total provisions as at 31st March 2013 amounted to £1.037m, as shown in the balance sheet on pages 32 to 34, and related note 19 on pages 81 and 82.

The reserves as at 31st March 2013 comprise Revenue Reserves of £34.571m, Capital Reserve liability of £12.213m, other unusable Reserves of £0.205m and a Pension Reserve liability of £1,332.835m. These are shown in the balance sheet on pages 32 to 34, in the movement in reserves statement on pages 28 to 29 and the related note 21 on pages 83 to 88.

The Pension Reserve liability shows the underlying commitments that the PCC has in the long term to pay retirement benefits. Reflecting this long term commitment results in a negative overall balance on the balance sheet (see pages 32 to 34) of £1,310.272m. Accounting requirements necessitate these liability presentational points in the accounts. They have no implications for the constitutional permanence of the pension arrangements which are fully secured against current and future funding.

## Treasury Management

The Treasury Management Strategy was approved as part of the budget report for 2012-2013.

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 be 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, all made within the requirements of 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 0.81%. This compared to a benchmark figure of 0.36% against the London Interbank Bid rate (LIBID). Interest received totalled £275,000 on an average amount invested of £34.081 million, giving an over recovery against budget of £66,000. 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 revenue and capital spending were significantly curtailed.

## 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 PCC has prepared the financial statements for 2012-2013 in accordance with IFRS.

The PCC’s policies are fully explained on pages 37 to 55.

## Pensions Deficit

The accounts reflect the underlying commitment that the PCC 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 PCC Group by £1,332.835m.

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

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(2) pages 108 to 110.

Due to the forecast expectation of further funding reductions in the next few years (see paragraph below) the Constabulary has provided additional contributions to the Budget Support Reserve of £4.925m in 2012-2013. See note 9 on page 65.

## Major Changes and Future Developments in Service Delivery

As a result of the government's stated intention to reduce funding for the police service over the 4 years 2011-2012 to 2014-2015, the PCC has made comprehensive plans to reduce expenditure over this period whilst maintaining as high as possible a level of service delivery. These plans are reflected in the updated Medium-term Financial Strategy reported to the Police and Crime Panel meeting on 31 January 2013 and are being implemented by the Constabulary's Challenge Programme which contains four principal strands – Norfolk local change initiatives, changes to business support functions, changes to protective services functions, and changes to other operational functions, the latter three all in collaboration with Suffolk Constabulary. The results of this programme have been some changes to the Norfolk Policing Model for local policing, with virtually all other operational and support functions provided or to be provided by joint units operated by Norfolk and Suffolk Constabularies together and funded by Norfolk and Suffolk PCC's in the ratio of their net revenue budgets. The economies and efficiencies arising from this are being reflected in reductions of officers and staff and other cash savings. Cash savings should also arise from the rationalisation of assets usage resulting from conjoining ICT systems and of vehicle fleets and the continued rationalisation and modernisation of the police estate in Norfolk under the PCC's

Long-term Estates Strategy. This included the opening of 6 new Police Investigation Centres across Norfolk and Suffolk to replace outdated custody facilities in both counties and also in Cambridgeshire during 2011-2012.

## Corporate Governance Statement

The Accounts and Audit Regulations 2011 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. This can be found on pages 18 to 27 of these accounts and on the OPCCN website www.norfolk-pcc.gov.uk.

## Value for Money

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

- The process for allocating resources against desired outcomes is transparent and based on clear, quantified evidence.
- Risks to performance, improving processes and productivity are assessed. This is used to target improvement activity or develop contingency plans.
- Services and support functions are tested against appropriate benchmarks to identify and tackle excessive costs or weak performance.
- Public demand for services is understood and quantified, and informs deployment of staff.
- Staff are used efficiently. Programmes to minimise waste and increase employee engagement are in place to support this (most likely through Continuous Improvement).
- End-to-end operational processes are focused on delivering for the customer, with data used to demonstrate this. Processes are streamlined, unbureaucratic 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.

Details of the arrangements and how the principles are satisfied are set out in the Norfolk and Suffolk Constabularies' Joint Value-for-Money Strategy.

## 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, Jubilee House, Falconers Chase, Wymondham, NR18 0WW.

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

## Opinion on the Police & Crime Commissioner for Norfolk's financial statements

We have audited the financial statements of the Police & Crime Commissioner for Norfolk for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Police & Crime Commissioner for Norfolk and Group Movement in Reserves Statement, the Police & Crime Commissioner for Norfolk and Group Comprehensive Income and Expenditure Statement, the Police & Crime Commissioner for Norfolk and Group Balance Sheet, the Police & Crime Commissioner for Norfolk Group Cash Flow Statement, and the Police & Crime Commissioner for Norfolk Group Police Officer Pension Fund Account Statements and the related notes 1 - 39. 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 2012/13.

This report is made solely to the Police & Crime Commissioner for Norfolk, as a body, 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 & 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 the Chief Finance Officer's Responsibilities set out on page 17, 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 2012/13, 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 & 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 to identify material inconsistencies with the audited financial statements. 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 & Crime Commissioner for Norfolk as at 31 March 2013 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 2013 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 2012/13.

**Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 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 reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- 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 & Crime Commissioner for Norfolk 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 & Crime Commissioner for Norfolk's arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police & Crime Commissioner for Norfolk has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, We have considered the results of the following:

- our review of the Annual Governance Statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

**Certificate**

We certify that we have completed the audit of the accounts of the Police & 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 2013

# STATEMENT OF RESPONSIBILITIES

## The Police & Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

- Make arrangements for the proper administration of their financial affairs and to secure that one of their 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 for Norfolk Group.

Date: 30th September 2013 Signature:

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 for Norfolk Group at the accounting date and of the income and expenditure for the year ended 31 March 2013.

Date: 30th September 2013 Signature:

Chief Finance Officer for the Police and Crime Commissioner for Norfolk

# ANNUAL GOVERANCE STATEMENT

## 1. INTRODUCTION

This Annual Governance Statement reflects the position as at September 2013 including the financial year 2012-13, and plans for the financial year 2013-14.

On 22nd November 2012 Police and Crime Commissioner for Norfolk ("the Commissioner") commenced in office following the abolition of the Norfolk Police Authority ("the Authority") on 21st November 2012. The governance arrangements that existed until the Authority's abolition are outlined in the Authority's final Annual Governance Statement which was signed by the Chairman and Chief Executive in September 2012. A copy of that statement can be accessed via the Commissioner's website www.norfolk-pcc.gov.uk or obtained from the Office of the Police and Crime Commissioner for Norfolk, Building 8, Jubilee House, Falconers Chase, Wymondham, Norfolk, NR18 0WW.

## 2. SCOPE OF RESPONSIBILITIES

The Commissioner and the Chief Constable for Norfolk are responsible for ensuring that their respective business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner and Chief Constable also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Commissioner and Chief Constable has each approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework: Delivering Good Governance in Local Government.

A copy of the Commissioner's code can be found on the website www.norfolk-pcc.gov.uk or obtained from the Office of the Police and Crime Commissioner for Norfolk, Building 8, Jubilee House, Falconers Chase, Wymondham, Norfolk, NR18 0WW.

A copy of the Constabulary code can be found on the website www.norfolk.police.uk or obtained from Norfolk Constabulary, Operations and Communications Centre, Jubilee House, Falconers Chase, Wymondham, Norfolk, NR18 0WW.

The Commissioner and Chief Constable's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

This statement also explains how the Commissioner and Chief Constable has complied with the Code and also meets the requirements of regulation 4[3] of the Accounts and Audit (England) Regulations 2011 in relation to the review of the effectiveness of internal controls and the publication of an annual governance statement.

## 3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place under the Commissioner and Chief Constable for the period from 21 November 2012 up to the date of approval of the statement of accounts.

## 4. THE GOVERNANCE FRAMEWORK

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

The following narrative describes the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Commissioner and Constabulary.

### 4.1 Planning

The Commissioner has published the first Police and Crime Plan for the period 2013-14 to 2016-17 in accordance with the Police Reform and Social Responsibility Act 2011. This establishes the Commissioner's vision and objectives for residents and service users. The plan will be reviewed annually in line with latest requirements.

There is a co-ordinated process for strategic and medium-term financial planning that covers the period 2013-14 to 2016-17. This takes into account risk, local and national priorities and meeting efficiency savings and financial resilience criteria in order to produce a medium term view and an annual balanced budget. The work involves liaising closely with operational staff and budget managers followed by a detailed process of scrutiny and challenge by Chief Officers in order to ensure that the plan reflects the strategic aims of the Constabulary and the Commissioner. The financial strategy reflects the corporate and operational objectives of the Constabulary and Commissioner.

The Constabulary gathers data and intelligence from a range of sources to produce an annual Strategic Assessment. This takes into account all relevant internal and external factors that might impact upon crime and disorder at county and local level and it is then used to develop the policing control strategy for the next period. Separate pieces of strategic analysis have been undertaken for joint Norfolk / Suffolk units, with relevant issues incorporated into the overall strategic assessment.

**4.2 Performance Management**

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

The Commissioner produces and publishes an Annual Report that details performance for the previous year against the targets set in the Annual Policing Plan. Financial performance against the revenue budget, capital programme and levels of reserves is reported bi-monthly to the Commissioner.

The Commissioner, assisted by the deputy Commissioner, under the governance framework have responsibilities to review key functions of the Constabulary and assess that the required level of performance is being achieved.

The Joint Performance and Analysis Department (JPAD), under the lead of the Head of Department, undertakes analysis, research, consultation and internal inspection activity across the Constabulary. The collaboration of these distinct areas of business within one department allows for more informed analysis to take place which could relate to any part of the organisation, whether operational or organisational. This collaboration also results in the greater use of a variety of techniques to aid tactical and strategic decision making and to formulate problem solving approaches.

The department produces analytical work to support a number of forums and groups, including the Force Delivery Meeting (FDM) and the Tasking and Co-ordination Group meetings, delivering strategic and tactical products which facilitate advanced resource planning and threat, risk and harm identification management, hereby minimising costs to the organisation. The department seeks to use an evidenced based approach to its work ensuring that the best available evidence regarding ‘what works’ is considered as part of the Constabulary’s problem solving activity and evaluations are conducted to ensure lessons are learnt and successes identified.

In addition to a number of regular and ad-hoc products the department also manages the Service Framework, a tool that provides a picture of how the Constabulary is delivering effective customer service across a number of key indicators. It is available to everyone within the Constabulary and gives access to data and performance information easily, quickly and in a meaningful manner. It covers the spectrum from high end protection from harm issues to how the Constabulary interacts with the public on a day-to-day basis.

**4.3 Satisfaction**

The Constabulary measures the satisfaction of service users through the use of public surveys and reports to the Office of the Police and Crime Commissioner on levels of satisfaction as one of the agreed Police and Crime Objectives. This is done in accordance with Home Office requirements. The Constabulary also undertakes district level public perception surveys to a statistically significant level to assist in understanding issues around public confidence and enabling comparisons and progress reviews against previous periods.

**4.4 Internal Control and Compliance**

The Commissioner is a member of the Association of Police and Crime Commissioners, which acts as an advisory body on legislative changes affecting the police service. The roles and responsibilities of the Commissioner are established predominantly by the Police Reform and Social Responsibility Act 2011.

Roles and responsibilities

The Commissioner and Deputy Commissioner are previous members of the former Norfolk Police Authority and did not consequently require any general governance training. Advice and support has been given by the Commissioner's office to ensure that the Commissioner and Deputy are conversant with the requirements of the Police Reform and Social Responsibility Act 2011 and subsequent guidance.

Roles and responsibilities of the Commissioner and Deputy Commissioner are identified through legislative requirements and role profiles. The Head of Staff is the designated Monitoring Officer, with responsibility for ensuring the legality of transactions. The Commissioner's Chief Finance Officer (CFO) is the designated Section 151 officer with overall responsibility for financial administration and is the Money Laundering Officer. The Head of Staff and CFO each have an annual performance review.

The roles and responsibilities of senior officers within the Constabulary are established by the Scheme of Delegation, Financial Regulations, common law, legislative requirements and identified in role profiles.

Each Chief Officer controls a portfolio covering a designated range of activities. The Chief Constable has an annual performance review with the Commissioner. All other Chief Officers have their performance reviewed annually by the Chief Constable.

Codes of Conduct

Codes of Conduct have been developed and communicated for the Commissioner, police officers and staff that define the standards of behaviour. Police officer conduct is governed by the national Police Conduct Regulations. Formal policies exist in respect of whistle blowing, public complaints, anti fraud and corruption and the need to maintain a register of interests.

Governance Scheme

The Commissioner has adopted Standing Orders, a Scheme of Delegation, Financial Regulations, Contract Standing Orders and various codes of practice as part of his governance arrangements. These are reviewed periodically in accordance with requirements. The Constabulary has its own in-house legal team to advise on compliance with relevant legislation.

Risk Management

The Commissioner and Chief Constable have a joint risk management strategy. Detailed risk management policies and procedures are in place to ensure that the risks facing the Commissioner and Chief Constable in achieving objectives are identified, evaluated and reported.

In addition, the Chief Constables of Norfolk and Suffolk are currently engaged in drafting a Joint Risk Management Framework, to be adopted by both forces, and based upon Enterprise Risk Management principles. This will be employed in respect of all Collaborative, Norfolk only and Suffolk only activities. This will ensure that officers and staff from both forces can access and will employ one set of transferable skills and processes.

A robust approach is in place to ensure the continuing achievement of Corporate Objectives and Performance Priorities.

All legal requirements for insurance are met and insurance policies are reviewed as part of agreed regional consortium arrangements.

**4.5 Accountability to the Community**

Communication and engagement

The Commissioner's website contains details of the meetings the Commissioner holds with the public, partners, Chief Constable, Audit Committee and Police and Crime Panel. Agendas, reports and minutes are available for public scrutiny where appropriate.

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

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

This includes Safer Neighbourhood Action Panels and similar bodies that have been established throughout Norfolk. This results in the operation of quarterly open public meetings within each safer neighbourhood in order to identify the public's view of local objectives and priorities so that the Constabulary can be held to account against the agreed objectives.
The Constabulary has additional arrangements in place to engage with those diverse communities that do not relate to specific geographic locations within the County.

Representatives of the Commissioner attend meetings regularly to ensure that the arrangements the Constabulary have in place are effective; and has its own Community Engagement Strategy to obtain the views of the community and victims of crime regarding policing.

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

There are also services that are subject to ongoing regional collaboration. An example of this is the establishment of a six force collaboration for serious and organised crime which is being delivered through a formal agreement. Other regional opportunities are being explored and should opportunities arise will be subject to PCC approval before commencing.

The Commissioner and Constabulary work closely with partners in order to deliver county wide objectives around community safety issues. Each of these partnerships is subject to its own governance arrangements.

## 5. REVIEW OF EFFECTIVENESS

The Commissioner and Chief Constable has responsibility for conducting an annual review of the effectiveness of the governance framework, including:

- The system of internal audit
- The system of internal control

These reviews have been informed by the work of the Constabulary, internal auditors, and also officers of the Commissioner who have the responsibility for the development and maintenance of the governance environment. In addition, comments made by the external auditors and other review agencies and inspectorates have informed this review.

The roles and processes that have been applied in maintaining and reviewing the effectiveness of internal control include the following:

Corporate Governance Assurance Group
This group has been established to review the corporate governance framework and systems of internal control and to prepare the Annual Governance Statement for consideration. The group comprises the Head of Staff of the Commissioner, the Commissioner's Chief Financial Officer, the Assistant Chief Officer (Resources), and the Head of Joint Finance. These officers have involvement in the oversight of the governance framework and its processes and therefore the review of its effectiveness. During 2012-13 the Group assessed assurance against each of the major activities undertaken within the Office of the Commissioner and the Constabulary and compliance with the Codes of Corporate Governance. As part of this the Group has taken account of the information described in more detail in this section.

Internal Audit

Internal audit provide independent and objective assurances across the whole range of the Commissioner's and Constabulary's activities and regularly present their findings to the joint Audit Committee of the Commissioner and Chief Constable. They take a managed audit approach in conjunction with external audit to ensure that all necessary areas of compliance are covered. The programme is prepared and agreed with the Commissioner following a risk based assessment. The managed audit approach has been developed successfully over past years, in agreement formerly with external audit to bring further efficiency to audits.

The external auditor is able to place reliance on the work of internal audit and has assessed that they provide an effective system overall. This was confirmed in their "Review of Internal Audit" paper to the Audit Committee on 3rd April 2013. Internal audit are required to give an overall opinion on the adequacy and effectiveness of the framework of the internal control and risk management environment. For 2012-13 each audit finding has been given a points scoring for Control Design and Operating Effectiveness which provides an overall report classification of 'Low', 'Medium', 'High' or 'Critical' Risk.

The internal audit provider changed on the 1st April 2012, for a period of 3 years, following a competitive tendering exercise awarded to Price Waterhouse Coopers (PwC). As internal auditors PwC are compliant with the CIPFA Code of Practice for Internal Audit.

External Audit and Other External Review Bodies

External audit provide a further source of assurance by reviewing the annual accounts and value for money assessment and reporting upon internal control processes and any other matters relevant to their statutory functions and codes of practice. The last Audit Commission annual governance report, issued in September 2012, identified that overall the former Police Authority had an adequate control environment.

Following the abolition of the Audit Commission by the government, new external auditors, Ernst & Young were appointed from October 2012. Ernst & Young are due to issue annual governance reports in September 2013 that will cover both the Commissioner and Chief Constable.

The Constabulary is subject to review from HMIC and has been inspected over the period in a number of nationally assessed areas. This included the critical area of whether the Commissioner and Constabulary were in a sound position to meet the significant financial challenges ahead; the conclusion was that the Commissioner and Constabulary were in a sound position to meet those challenges.

The Constabulary has also received the accolade of 'best in class' for the Joint Inspection with Her Majesty's Inspector of Prisons of the provision of Custody facilities in Norfolk and Suffolk. Good progress has been made with understanding and tackling Anti-Social Behaviour incidents and also the management of Police Relationships with the media, contractors and others.

Police and Crime Panel

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

The Panel has two powers of veto in relation to the Commissioner's proposed precept and the appointment of the Chief Constable.

Since being elected the Commissioner has engaged fully with the Panel in all relevant matters including the setting of the precept for 2013/14 with which the Panel endorsed the proposed level.

Audit Committee
Prior to 21 November 2012 there was a Scrutiny, Audit and Assets Committee that fulfilled the requirements of the Audit Committee.

The Audit Committee for the Commissioner and Chief Constable is a new committee and was formed in January 2013 and consists of 3 members of the committee. Under its terms of reference, the Committee provides proactive and effective advice on audit and governance issues and champions both audit and the embedding of risk management. Specifically, it receives and scrutinises the reviews on the system of internal audit and the system of internal control, and agrees and monitors any action plans resulting from those reviews.

In addition to this the Committee also examines and considers the draft Annual Governance Statement, and reviews the draft accounts of the Commissioner and Chief Constable to make recommendations in this respect. Also, they examine the annual draft Treasury Management Strategy, monitor its application during the year and make any recommendations as appropriate.

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

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

Currently Norfolk and Suffolk Commissioners have their own set of Financial Regulations and Contract Standing Orders that were signed in November 2012. These documents are closely aligned, but fully Joint Financial Regulations are in draft and are due to be signed by the Norfolk and Suffolk Commissioners by the end of June.

The Corporate Governance Assurance Group has concluded that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas to be specifically addressed with new actions planned are outlined below.

## 6. SIGNIFICANT GOVERNANCE ISSUES

Covert Operations

For operational or security reasons, some of the activities of the Constabulary are undertaken covertly. In order to ensure proper governance arrangements apply, independent scrutiny is applied to all financial transactions. Control and corporate governance considerations are handled by assurance statements provided by officers at ACPO level .The Annual Report from the Money Laundering Officer which was considered by the Scrutiny, Audit and Assets Committee in June 2012 advised that an external review of covert accounts was being undertaken. Arising from this, a revision of financial controls and the financial framework surrounding covert arrangements was required. During 2012-13 a new Standard Operating Procedure has been developed and issued, new processes and controls have been put in place, and financial training has been delivered to relevant covert officers and staff. Internal audit will review this area during 2013-14 to give assurance that all the matters previously raised have been addressed.

PwC are undertaking a high level review of the changes to the Covert Accounts processes, and an update will be included in the final version of the Annual Governance Statement.

Transfer Order Stage 2

Preparation for the abolition of Norfolk Police Authority and the introduction of the Commissioner was undertaken by the Authority and the Constabulary up to November 2012. At this point the elections were held for the Commissioner, and the role commenced on 21st of that month. Since that date the Commissioner has built on the preparations of the Authority, and has ensured that appropriate governance arrangements are in place.

The Police Reform and Social Responsibility Act 2011 provided that on 21 November 2012, all existing rights, assets and liabilities transferred from the Authority to the Commissioner. This included the transfer of all police staff and was referred to as the “Stage 1” transfer. The Act also provides for a second “Stage 2” transfer which refers to the subsequent management of certain staff, property, rights and liabilities from the Commissioner to the Chief Constable. The “Stage 2” transfer is designed to allow Commissioners and Chief Constables the freedom to make arrangements about how their respective functions will be discharged in the future. The Home Secretary has directed that the “Stage 2” transfers must be completed by 1 April 2014.

Transfer “Stage 2” will impact upon corporate governance and a number of the governance mechanisms described in this statement will need to be reviewed so that appropriate arrangements are put in place for the Commissioner for the period from 1 April 2014 onwards. This is a significant governance issue for the Commissioner and Chief Constable and preparations will be carried out for this during 2013-14.

Budgetary Control

The budgetary control processes in Norfolk are well developed and have worked well in previous years. However, for 2012/13 a significant under spend arose, the scale of which was not fully picked up in outturn projections during the year. One reason for this has been the additional complexity from the phasing of joint departments through 2012/13, and this complexity was recognised by Internal Audit in their review of budgetary control.

However, the significant level of under spend has prompted the need for a review of budgetary control, including a review of the role of the Finance department, training of Budget Managers, and the process for reporting to the Commissioners CFO. This review will look to further enhance budgetary control processes.

Other Internal Audit Findings

- IT General Controls: During an Internal Audit it was discovered that some personnel had access privileges beyond those necessary to perform their assigned activities thereby reducing the segregation of duties. This increased the risk that users with incompatible duties exist without being detected, thereby increasing exposure to inappropriate, unauthorized or fraudulent activity.

- Electronic Property Management System: Internal Audit testing discovered that officers at some locations were not consistently updating the EPS system to reflect the location of property. In addition potentially dangerous items were being held at locations that were not secure armoury.

- Data Quality and Management Information: Through audit testing it was found that data entered into the System for Tasking and Operational Resource Management (STORM) did not always accurately reflect all aspects of the underlying incident or crime.

Immediate actions have already been taken to mitigate the most urgent weaknesses identified in these findings, other actions have been identified to improve processes in the next 3 to 6 months and will be subject to follow up reviews by Internal Audit.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed**

| | |
|---|---|
| Name ……………………………… | Name ……………………………. |
| Police and Crime Commissioner for Norfolk | Chief Constable of Norfolk Constabulary |
| Name ……………………………… | Name ……………………………. |
| Head of Staff, OPCCN | CFO of Norfolk Constabulary |

Signed on behalf of senior staff and senior officers of the Office of the Police and Crime Commissioner for Norfolk and for Norfolk Constabulary.

## MOVEMENT IN RESERVES STATEMENT

The statement shows the movement in the year on the different reserves held, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the services, more details of which are shown in the Comprehensive Income and Expenditure Statement (see pages 30 and 31). 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 PCC.

| | Reserves | | | | | | |
|---|---|---|---|---|---|---|---|
| | **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 2011** | **4,475** | **17,451** | **0** | **4,758** | **26,684** | **(1,052,298)** | **(1,025,614)** |
| Surplus or (Deficit) on Provision of Services | (70,302) | | | | **(70,302)** | 0 | **(70,302)** |
| Other Comprehensive Expenditure and Income | | | | | **0** | (18,716) | **(18,716)** |
| **Total Comprehensive Expenditure and Income** | **(70,302)** | **0** | **0** | **0** | **(70,302)** | **(18,716)** | **(89,018)** |
| Adjustments between accounting basis & funding basis under regulations | 78,578 | | | (1,261) | **77,317** | (77,316) | **1** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **8,276** | **0** | **0** | **(1,261)** | **7,015** | **(96,032)** | **(89,017)** |
| Transfers to / from Reserves | (8,276) | 8,276 | 0 | 0 | **0** | 0 | **0** |
| **Increase / Decrease in Year** | **0** | **8,276** | **0** | **(1,261)** | **7,015** | **(96,032)** | **(89,017)** |
| **Balance at 31 March 2012** | **4,475** | **25,727** | **0** | **3,497** | **33,699** | **(1,148,330)** | **(1,114,631)** |

| | Reserves | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 2012** | **4,475** | **25,727** | **0** | **3,497** | **33,699** | **(1,148,330)** | **(1,114,631)** |
| Surplus or (Deficit) on Provision of Services | (61,577) | | | | **(61,577)** | 0 | **(61,577)** |
| Other Comprehensive Expenditure and Income | | | | | **0** | (134,064) | **(134,064)** |
| **Total Comprehensive Expenditure and Income** | **(61,577)** | **0** | **0** | **0** | **(61,577)** | **(134,064)** | **(195,641)** |
| Adjustments between accounting basis & funding basis under regulations | 65,946 | | | (1,868) | **64,078** | (64,078) | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **4,369** | **0** | **0** | **(1,868)** | **2,501** | **(198,142)** | **(195,641)** |
| Transfers to / from Reserves | (4,369) | 4,369 | 0 | 0 | **0** | 0 | **0** |
| **Increase / Decrease in Year** | **0** | **4,369** | **0** | **(1,868)** | **2,501** | **(198,142)** | **(195,641)** |
| **Balance at 31 March 2013** | **4,475** | **30,096** | **0** | **1,629** | **36,200** | **(1,346,472)** | **(1,310,272)** |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the 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.

| | Current Year Year ending 31 March 2013 | | | Previous Year Restated Year ending 31 March 2012 | | |
|---|---|---|---|---|---|---|
| | Gross Expenditure £ 000 | Gross Income £ 000 | Net Expenditure £ 000 | Gross Expenditure £ 000 | Gross Income £ 000 | Net Expenditure £ 000 |
| **Police Services:** | | | | | | |
| Local Policing | 76,792 | (5,016) | 71,776 | 81,868 | (5,256) | 76,612 |
| Dealing with the Public | 12,159 | (126) | 12,033 | 12,580 | (213) | 12,367 |
| Criminal Justice Arrangements | 16,680 | (4,686) | 11,994 | 16,694 | (4,597) | 12,097 |
| Road Policing | 9,952 | (1,820) | 8,132 | 10,690 | (2,522) | 8,168 |
| Special Operations | 4,650 | (444) | 4,206 | 5,427 | (855) | 4,572 |
| Intelligence | 6,206 | (284) | 5,922 | 6,579 | (72) | 6,507 |
| Special Investigations | 31,353 | (855) | 30,498 | 33,206 | (942) | 32,264 |
| Investigative Support | 3,850 | (20) | 3,830 | 4,192 | (39) | 4,153 |
| National Policing | 3,566 | (3,699) | (133) | 4,642 | (3,551) | 1,091 |
| Corporate and Democratic Core | 1,566 | (4) | 1,562 | 1,472 | 0 | 1,472 |
| Non Distributed Costs | 106 | 0 | 106 | 57 | 0 | 57 |
| **Net Cost of Policing** | **166,880** | **(16,954)** | **149,926** | **177,407** | **(18,047)** | **159,360** |

| Continued | Current Year Year ending 31 March 2013 Gross Expenditure £ 000 | Gross Income £ 000 | Net Expenditure £ 000 | Previous Year Restated Year ending 31 March 2012 Gross Expenditure £ 000 | Gross Income £ 000 | Net Expenditure £ 000 |
|---|---|---|---|---|---|---|
| **Other Operating Expenditure** | | | | | | |
| Home Office grant payable toward the cost of police officer retirement benefits | 14,927 | (14,927) | 0 | 14,386 | (14,386) | 0 |
| Losses on Disposal of Non Current Assets | 185 | | 185 | 111 | | 111 |
| | **15,112** | **(14,927)** | **185** | **14,497** | **(14,386)** | **111** |
| **Financing and Investment Income** | | | | | | |
| Interest payable and similar charges | 7,578 | | 7,578 | 7,146 | | 7,146 |
| Pensions interest cost and expected return on pensions assets | 60,951 | (5,912) | 55,039 | 65,325 | (6,879) | 58,446 |
| Interest and Investment Income | | (274) | (274 ) | | (261) | (261) |
| | **68,529** | **(6,186)** | **62,343** | **72,471** | **(7,140)** | **65,331** |
| **Taxation and Non-Specific Grant Income** | | | | | | |
| Council Tax Income | | | (59,773) | | | (57,463) |
| Non Domestic Rates | | | (31,830) | | | (25,304) |
| Main Police Grant | | | (53,682) | | | (57,661) |
| Revenue Support Grant | | | (617) | | | (7,821) |
| Other Government Grants | | | (3,328) | | | (4,757) |
| Capital Grants and Contributions | | | (1,647) | | | (1,494) |
| | | | **(150,877)** | | | **(154,500)** |
| **(Surplus) or Deficit on the Provision of Services** | | | **61,577** | | | **70,302** |
| (Surplus) or deficit on the revaluation of Non Current Assets | | | (1,060) | | | 169 |
| Actuarial (gains) or losses on pension assets and liabilities | | | 135,124 | | | 18,547 |
| **Other Comprehensive Income and Expenditure** | | | **134,064** | | | **18,716** |
| **Total Comprehensive Income and Expenditure** | | | **195,641** | | | **89,018** |

## BALANCE SHEET

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

Reserves are reported in two categories.

- Usable Reserves – 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 (e.g., the Capital Grant Unapplied Account that may only be used to fund capital expenditure).
- Unusable Reserves – those reserves which the PCC 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'.

| | Financial Statements Note No. | Financial Statements Page No. | 31 March 2013 £ 000 | Restated 31 March 2012 £ 000 |
|---|---|---|---|---|
| **Non Current Assets** | | | | |
| Property, Plant & Equipment | 10 | 67 to 72 | 75,054 | 75,400 |
| Intangible Assets | 12 | 73 to 74 | 634 | 782 |
| **Total Non Current Assets** | | | **75,688** | **76,182** |
| **Current Assets** | | | | |
| Assets Held for Sale | 17 | 79 | 575 | 0 |
| Short Term Investments | 16 | 79 | 7,586 | 5,053 |
| Inventories | 14 | 77 | 295 | 305 |
| Short Term Debtors | 15 | 78 | 10,939 | 10,475 |
| Cash and Cash Equivalents | 16 | 78 | 19,082 | 19,882 |
| **Total Current Assets** | | | **38,477** | **35,715** |
| **Current Liabilities** | | | | |
| Short Term Creditors | 18 | 80 | (11,357) | (11,881) |
| Provisions | 19 | 81 to 82 | (747) | (1,185) |
| **Total Current Liabilities** | | | **(12,104)** | **(13,066)** |
| **Long Term Liabilities** | | | | |
| Long Term Creditors | 18 | 80 | (936) | (1,095) |
| Provisions | 19 | 81 to 82 | (290) | (298) |
| Long Term Borrowing | 13 | 77 | (13,161) | (13,161) |
| Liability Related to PFI Schemes | 33 | 107 to 110 | (65,111) | (65,790) |
| Liability Related to Defined Benefit Pension Schemes | 21 | 83 & 88 | (1,332,835) | (1,133,118) |
| **Total Long Term Liabilities** | | | **(1,412,333)** | **(1,213,462)** |
| **Net Assets** | | | **(1,310,272)** | **(1,114,631)** |

| | Financial Statements Note No. | Financial Statements Page No. | 31 March 2013 £ 000 | Restated 31 March 2012 £ 000 |
|---|---|---|---|---|
| **Financed By:** | | | | |
| **Usable Reserves** | | | | |
| Earmarked Reserves | 9 | 65 to 66 | 30,096 | 25,727 |
| General Fund | | | 4,475 | 4,475 |
| Capital Grant Unapplied Account | | | 1,629 | 3,497 |
| **Unusable Reserves** | | | | |
| Revaluation Reserve | 21 | 83 to 84 | 3,913 | 2,925 |
| Capital Adjustment Account | 21 | 83 to 85 | (17,755) | (18,302) |
| Financial Instruments Adjustment Account | 21 | 83 & 86 | 74 | 86 |
| Collection Fund Adjustment Account | 21 | 83 & 87 | 646 | 614 |
| Accumulated Absences Account | 21 | 83 & 87 | (515) | (535) |
| Pension Reserve | 21 | 83 & 88 | (1,332,835) | (1,133,118) |
| **Total Reserves** | | | **(1,310,272)** | **(1,114,631)** |

The unaudited accounts were issued on 28th June 2012 and the audited accounts, as amended following audit, were authorised for issue on 30th September 2013.

**R D Summers**

**Chief Finance Officer**

**30th September 2013**

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC 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 flows arising from operating activities is a key indicator of the way the PCC has managed the cash outflows against the monies received by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC's future delivery of service. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the PCC.

| | Financial Statements Note/Page No. | 31 March 2013 £'000 | Restated 31 March 2012 £'000 |
|---|---|---|---|
| Net (surplus) or deficit on the provision of services | | 61,577 | 70,302 |
| Adjustments to net surplus or deficit on the provision of services for non cash movements | 22 / 89 | (68,480) | (78,089) |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 22 / 89 | 0 | (32,027) |
| Net Cash Inflows from Operating Activities | | (6,903) | (39,814) |
| Investing Activities | 23 / 90 | 7,080 | 41,386 |
| Financing Activities | 24 / 90 | 623 | 186 |
| **Net (Increase) / Decrease in Cash and Cash Equivalents** | | **800** | **1,758** |
| **Cash and cash equivalents at the beginning of the reporting period** | | **19,882** | **21,640** |
| **Cash and cash equivalents at the end of the reporting period** | 16 / 78 | **19,082** | **19,882** |

## NOTES TO THE FINANCIAL STATEMENTS

Contents

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### A. GENERAL PRINCIPLES

These Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-2013 issued by the Chartered Institute of Public Finance and Accounting (CIPFA), the Accounts and Audit Regulations 2003 and the Service Reporting Code of Practice 2012-2013.

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.

Following the passing of the Police Reform and Social Responsibility Act 2011 the Norfolk Police Authority (NPA) was replaced on 22nd November 2012 with 2 'corporation sole' bodies, the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and the Chief Constable for Norfolk (CCN). Both bodies are required to prepare separate statement of accounts. The Financial Statements included here represent the total transactions for the OPCCN and the CCN as the PCC has the control of the funding and services of both organisations. The Financial Statements cover the 12 months to 31st March 2013 with comparatives for the 12 months to 31st March 2012. The identification of the OPCCN as the holding organisation and the requirement to produce accounts stems from the powers and responsibilities of the OPCCN under the Police Reform and Social Responsibilities Act 2011.

### B. 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 PCC 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 PCC.

- Income from the provision of services is recognised when the PCC 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 PCC.

- 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 Balance Sheet (see note 14 on page 77).
- 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively 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 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.

## C. 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.

## D. EXCEPTIONAL ITEMS

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

## E. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

## 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, he 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

Benefits Payable During Employment

Short-term employee benefits are those that fall due wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the PCC. 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the PCC 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

The PCC has two separate pension schemes available to staff and police officers:

- 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 PCC.

The Local Government Pension Scheme

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

1. The liabilities of the Norfolk Pension Fund attributable to the PCC 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.
2. Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bonds).
3. The assets of the Norfolk Pension Fund attributable to the PCC 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.
4. The change in the net pension liability is analysed into seven components:
    - 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 arising from current year decisions 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 as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the PCC, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – the result of actions to relieve the PCC of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- 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 – debited to the Pensions Reserve.
- 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 PCC 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at 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.

<u>Police Officer Pension Scheme</u>
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 PCC also contributes 24.2% of police officer pensionable pay to this account and a capital payment for any ill-health pensions awarded. The PCC 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 129 to 131.

Discretionary Benefits

The PCC 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 PCC 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. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 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 then 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
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain for the asset accumulated in the Available for Sale Reserve.
Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for sale Reserve.

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

## J. FOREIGN CURRENCY TRANSLATION

Where the PCC 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 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 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 in conjunction with other bodies, which involve the use of the assets and resources of the PCC or the other body, rather than the establishment of a separate entity. The PCC recognises on the Balance Sheet the assets that he controls and the liabilities that he incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure incurred and the share of income earned from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the PCC 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 PCC accounts for his share of the jointly controlled assets, the liabilities and expenses that he incurs on his own behalf or jointly with others in respect of interest in the joint operation and income that 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. All other leases are classified as operating leases.

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

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

The PCC as Lessee

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

Lease payments are apportioned between:

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

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

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on lease assets. Instead, a prudent annual contribution is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The PCC does not operate any finance leases at present.

*Operating Leases*
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).

<u>The PCC as Lessor</u>

*Finance Leases*
Where the PCC grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the PCC's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written down 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

*Operating Leases*
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 2012-2013* (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.
- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings 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, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the PCC). In the latter case, where as asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the PCC.

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

Assets are then carried in the Balance Sheet using the following measurement bases:
- Assets under construction – 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.

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

Where impairment losses are identified, they are accounted for 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.

Depreciation:
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie, 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 asset 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 minimus 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.

Disposals and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification 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 (ie 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 PCC is deemed to control the services that are provided under the PFI schemes, and as ownership of the property, plant and equipment will pass to the PCC at the end of the contracts 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 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 Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the 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 Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – contained within the unitary charge and debited to the relevant service in the Comprehensive Income and Expenditure Statement.

## T. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the PCC 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 PCC 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 Comprehensive Income and Expenditure Statement in the year that the PCC becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of 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 PCC settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the PCC 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 PCC. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the PCC a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the PCC.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## U. 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 PCC. These reserves are explained in the relevant policies.

## V. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the PCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax. In the accounts for 2012-2013 there is no revenue expenditure included for Capital under Statute provisions.

## 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 Comprehensive Income and Expenditure Statement. Irrecoverable VAT is VAT charged to the PCC but which under legislation the PCC is not entitled to reclaim (i.e., long term vehicle hire). The irrecoverable VAT for 2012-2013 is £55,390 (£87,983 for 2011-2012).

## 2. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

There are no material changes in accounting policies, estimates or errors that would be classified as a prior period adjustments as defined by the CIPFA/LASAAC Code of Practice on Local authority Accounting in the United Kingdom. However, immaterial amendments have been made to the 2011-2012 brought forward comparatives and the reasons for the restated position are disclosed below for completeness.

### Police Pension Prepayments

The payment made in March 2012 for the police pensions due for the month of April 2012 was not shown as a prepayment within Short Term Debtors but as cash within Cash and Cash Equivalents on the balance sheet. The correction of this error increases Short Term Debtors and decreases Cash and Cash Equivalents by £1.995m.

### Short Term Investments and Accrued Interest

The code requires that the accrued interest in respect of the interest due on fixed team deposits is shown within Short Term Investments on the balance sheet. The interest of £0.053m was shown within Short term Debtors. The correction of this error decreases Debtors and increases Short Term Investments by £0.053m.

The balance sheet adjustments are shown in the following table.

| Balance Sheet | Published Accounts 2011-2012 £000 | Adjustments | | Restated Accounts 2011-2012 £000 |
|---|---|---|---|---|
| | | Police Pension Prepayments £000 | Short Term Investments £000 | |
| **Current Assets** | | | | |
| Short Term Investments | 5,000 | | 53 | 5,053 |
| Short Term Debtors | 8,533 | 1,995 | (53) | 10,475 |
| Cash and Cash Equivalents | 21,877 | (1,995) | | 19,882 |
| **Current Assets Movement** | **35,410** | **0** | **0** | **35,410** |

## Net Cost of Policing

Miscodings to Transport and between income and expenditure in respect of payments relating to the recovery of road side vehicles has understated the Roads Policing section and overstated the other sections within Polices Services of the Comprehensive Income and Expenditure Statement. Transport, being a support service function, is apportioned across the other sections within Police Services.

The adjustments are shown in the following table,

| Comprehensive Income and Expenditure Statement | Published Accounts 2011-2012 | | | Adjustments Recovery of road side vehicles | | | Restated Accounts 2011-2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Exp £ 000 | Gross Income £ 000 | Net Exp £ 000 | Gross Exp £ 000 | Gross Income £ 000 | Net Exp £ 000 | Gross Exp £ 000 | Gross Income £ 000 | Net Exp £ 000 |
| **Police Services:** | | | | | | | | | |
| Local Policing | 82,205 | (5,593) | 76,612 | (337) | 337 | 0 | 81,868 | (5,256) | 76,612 |
| Dealing with the Public | 12,643 | (276) | 12,367 | (63) | 63 | 0 | 12,580 | (213) | 12,367 |
| Criminal Justice Arrangements | 16,770 | (4,673) | 12,097 | (76) | 76 | 0 | 16,694 | (4,597) | 12,097 |
| Road Policing | 9,801 | (1,633) | 8,168 | 889 | (889) | 0 | 10,690 | (2,522) | 8,168 |
| Special Operations | 5,439 | (867) | 4,572 | (12) | 12 | 0 | 5,427 | (855) | 4,572 |
| Intelligence | 6,606 | (99) | 6,507 | (27) | 27 | 0 | 6,579 | (72) | 6,507 |
| Special Investigations | 33,326 | (1,062) | 32,264 | (120) | 120 | 0 | 33,206 | (942) | 32,264 |
| Investigative Support | 4,206 | (53) | 4,153 | (14) | 14 | 0 | 4,192 | (39) | 4,153 |
| National Policing | 4,656 | (3,565) | 1,091 | (14) | 14 | 0 | 4,642 | (3,551) | 1,091 |
| Corporate and Democratic Core | 1,472 | 0 | 1,472 | 0 | 0 | 0 | 1,472 | 0 | 1,472 |
| Non Distributed Costs | 57 | 0 | 57 | 0 | 0 | 0 | 57 | 0 | 57 |
| **Net Cost of Policing** | **177,181** | **(17,821)** | **159,360** | **226** | **(226)** | **0** | **177,407** | **(18,047)** | **159,360** |

## 3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

In 2013-2014 adoption of the amendments to the following may be required to be reported;

- IAS19 Employee benefits
- IAS1 Presentation of Financial Statements – Other Comprehensive Income
- IFRS7 Financial Instruments Disclosures – Offsetting Financial Asset and Liabilities
- IAS12 Deferred Tax: Recovery of Underlying Assets.

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

## 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES

In applying the accounting policies set out in pages 37 to 55, the PCC has had to make the following judgements about complex transactions or those involving uncertainty about future events.

- There is a high degree of uncertainty about future levels of funding for the PCC. The PCC has determined that this uncertainty is not yet sufficient to provide an indication that the assets could be impaired as a result of a need to close facilities and reduce levels of service provision, but this is subject to continual review.
- 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 PCC 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.

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

The preparation of the Statement of Accounts requires the PCC 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 81 and 82
- LGPS and police pension actuarial assumptions - see note 35 and tables on pages 118 and 119
- Depreciation on buildings – see note 10 on page 67 to 72
- Council Tax Doubtful Debts – see note 38 and table on pages 124 and 125

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

## 6. THE CREATION OF THE NEW OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR NORFOLK (OPCC) AND THE CHIEF CONSTBLE FOR NORFOLK (CCN)

Following the Police Reform and Social Responsibility Act 2011 (The Act), the Norfolk Police Authority (NPA) was replaced on 22 November 2012 with two 'corporation sole' bodies, the Office of the Police and Crime commissioner for Norfolk (OPCCN) and the Chief Constable for Norfolk (CCN). It is the Governments intention that the reforms under the Act will be phased over a period of several years. These financial statements for 2012-2013 are the first to show the financial positions of the OPCCN following the cessation of the NPA in November 2012.

The transition has been accounted for in line with the CIPFA Code of Practice for Local Authority Accounting 2012-2013 which advises that re-organisations of this nature merger accounting principles should be applied. Following this approach the results have been brought into the financial statements of the new body, OPCCN, from the beginning of the year that the transferred occurred. In effect the allocation of costs to the OPCCN is accounted for as taking place on 1 April 2012 and the financial statements for the OPCCN covers the entire 12 months to 31 March 2013. Comparative figures for the previous year 2011-2012 have also been provided.

The accounting recognition of assets, liabilities and reserves during the first period of transition reflects the powers and responsibilities of the OPCCN as designated by the Police Reform and Social Responsibility act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreements and practice. On 22 November 2012 the assets, liabilities and reserves of the OPCCN were transferred directly to the OPCCN and during this first phase of transition they remain under the OPCCN control. Statutory and local arrangements determine that the OPCCN holds all the assets, liabilities and reserves and is responsible for the police pension liability. All payments are made by the OPCCN from the OPCCN police fund and all income and funding received by the OPCCN. The OPCCN has the responsibility for managing the financial relationships with the third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

The International Accounting Standards Board (IASB) Framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' benefit associated with the item will flow to, or from the entity. Based on the statutory responsibilities and local arrangements within which the OPCCN operates in conjunction with the ISAB guidance, it has been deemed that 'all' the assets, liabilities and reserves are recognised on the OPCCN Balance Sheet and consequently there is a single Balance Sheet at 31 March 2013 and single Movement in Reserves Statement and Cash Flow Statement for the year representing both the OPCCN and the CCN for the OPCCN Group.

## 7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 28th June 2013. Events taking place after this date are not reflected in the financial statements or notes. There are no events before this date which require the figures in the financial statements to be adjusted.

## 8. 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 PCC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the PCC 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 PCC are required to be paid and out of which all liabilities of the PCC 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 PCC is statutorily empowered to spend on services or on capital investment (or the deficit of resources that the PCC 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.

| | Usable Reserves | | | |
|---|---|---|---|---|
| **2012- 2013** | **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 | 4,843 | | | (4,843) |
| Revaluation losses on Property, Plant and Equipment | 236 | | | (236) |
| Amortisation of intangible assets | 262 | | | (262) |
| Capital grants and contributions applied | (3,515) | | | 3,515 |
| 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 | 185 | | | (185) |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | |
| Statutory provision for the financing of capital investment | (2,486) | | | 2,486 |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (1,647) | | 1,647 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 3,515 | | (3,515) | 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 | | 22 | | (22) |
| Use of Capital Receipts Reserve to finance new capital expenditure | | (22) | | 22 |

**2012- 2013**

| | | | | |
|---|---|---|---|---|
| **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 | 85,219 | | | (85,219) |
| Employer's pension contributions and direct payments to pensioners payable in the year | (20,626) | | | 20,626 |
| **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 | (32) | | | 32 |
| **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 | (20) | | | 20 |
| **Total Adjustments** | 65,946 | 0 | (1,868) | (64,078) |

| 2011-2012 Comparative | Usable Reserves General Fund Balance £000 | Usable Reserves Capital Receipts Reserve £000 | Usable Reserves 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 | 4,112 | | | (4,112) |
| Revaluation losses on Property, Plant and Equipment | 9,615 | | | (9,615) |
| Amortisation of intangible assets | 219 | | | (219) |
| Capital grants and contributions applied | (2,755) | | | 2,755 |
| 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 | 111 | | | (111) |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | 0 |
| Statutory provision for the financing of capital investment | (2,102) | | | 2,102 |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (1,494) | | 1,494 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 2,755 | | (2,755) | 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 | | 264 | | (264) |
| Use of Capital Receipts Reserve to finance new capital expenditure | | (264) | | 264 |

**2011-2012 comparative continued**

| | | | | |
|---|---|---|---|---|
| **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 | 87,810 | | | (87,810) |
| Employer's pension contributions and direct payments to pensioners payable in the year | (19,953 ) | | | 19,953 |
| **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 | 371 | | | (371) |
| **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 | (123) | | | 123 |
| **Total Adjustments** | 78,578 | 0 | (1,261) | (77,317) |

## 9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside 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.

| | Balance at 1 April 2011 £ 000 | Transfers Out 2011-2012 £ 000 | Transfers In 2011-2012 £ 000 | Balance at 31 March 2012 £ 000 | Transfers Out 2012-2013 £ 000 | Transfers In 2012-2013 £ 000 | Balance at 31 March 2013 £ 000 |
|---|---|---|---|---|---|---|---|
| OCC Unitary Charge | **2,000** | | | **2,000** | | | **2,000** |
| PIC Unitary Charge | **456** | | | **456** | | | **456** |
| Insurance | **786** | | | **786** | | | **786** |
| Operational Contingency | **400** | | | **400** | | | **400** |
| Corporate Programme | | | | | | | |
| - Budget Support | **7,921** | | 6,675 | **14,596** | | 4,925 | **19,521** |
| - Invest to Save | **2,000** | | | **2,000** | | | **2,000** |
| - Job Evaluation | **3,200** | | | **3,200** | | | **3,200** |
| Safety Camera Reserve | **0** | | 817 | **817** | (95) | 472 | **1,194** |
| PCC Reserve | **150** | | 182 | **332** | | 207 | **539** |
| Operational Contingency | **254** | (254) | | **0** | | | **0** |
| Budget Management | **284** | (284) | 1,140 | **1,140** | (1,140) | | **0** |
| TOTAL | **17,451** | **(538)** | **8,814** | **25,727** | **(1,235)** | **5,604** | **30,096** |

**<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.

**Corporate Programme - Budget Support**

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

**Corporate Programme - Invest to Save**

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.

**Corporate Programme - Job Evaluation**

To provide for the potential additional cost of regradings 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.

**Operational Contingency b/fwd**

This reserve allowed for the carry forward of funds which offset spending in 2011-2012.

**Budget Management**

This reserve allowed for the carry forward of funds as an addition to the base budget in previous years. The carried forward funds offset spending in 2012-2013.

## 10. PROPERTY, PLANT AND EQUIPMENT

| Movements in 2012-2013 | 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 2012 | 69,351 | 1,095 | 14,461 | 6,511 | 188 | 1,346 | 92,952 | 48,096 |
| Additions | 49 | | 1,791 | 1,704 | | 890 | 4,434 | |
| Revaluation increases/(decreases) recognised in the Revaluation reserve | 815 | 14 | | | | | 829 | |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (302) | 6 | | | | | (296) | |
| Derecognition - disposals | | | (729) | (532) | | | (1,261) | |
| Derecognition - other | (23) | | (37) | | | | (60) | |
| Assets reclassified from Assets under Construction to Operational Assets | 0 | | 1,207 | | | (1,249) | (42) | |
| Assets reclassified (to)/from Held for sale | (300) | (275) | | | | | (575) | |
| **At 31 March 2013** | **69,590** | **840** | **16,693** | **7,683** | **188** | **987** | **95,981** | **48,096** |

| Movements in 2012-2013 | 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 2012 | 6,203 | 26 | 7,919 | 3,403 | 1 | 0 | 17,552 | 2,465 |
| Depreciation charge | 1,487 | 20 | 2,352 | 919 | 2 | | 4,780 | 1,204 |
| Depreciation written out to the Revaluation Reserve | (221) | (10) | | | | | (231) | |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (60) | | | | | | (60) | |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | | | | 5 | | | 5 | |
| Derecognition - disposals | | | (706) | (411) | | | (1,117) | |
| Other movements in depreciation and impairment | | | | (2) | | | (2) | |
| **At 31 March 2013** | **7,409** | **36** | **9,565** | **3,914** | **3** | **0** | **20,927** | **3,669** |
| **Net Book Value** | | | | | | | | |
| **at 31 March 2013** | **62,181** | **804** | **7,128** | **3,769** | **185** | **987** | **75,054** | **44,427** |
| **at 31 March 2012** | **63,148** | **1,069** | **6,542** | **3,108** | **187** | **1,346** | **75,400** | **45,631** |

| Movements in 2011-2012 | 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 2011 | 46,207 | 1,340 | 13,010 | 6,115 | 161 | 2,162 | 68,995 | 24,325 |
| Additions | 32,668 | 0 | 1,766 | 930 | | 1,138 | 36,502 | 32,027 |
| Revaluation increases/(decreases) recognised in the Revaluation reserve | (239) | 15 | | | 27 | | (197) | |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (10,016) | | | | | | (10,016) | (8,256) |
| Derecognition - disposals | | | (777) | (534) | | | (1,311) | |
| Derecognition - other | (3) | | (54) | | | (16) | (73) | |
| Assets reclassified from Assets under Construction to Operational Assets | 734 | | 516 | | | (1,938) | (688) | |
| Assets reclassified (to)/from Held for sale | | (260) | | | | | (260) | |
| **At 31 March 2012** | **69,351** | **1,095** | **14,461** | **6,511** | **188** | **1,346** | **92,952** | **48,096** |

| Movements in 2011-2012 | 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 2011 | 5,693 | 5 | 6,377 | 3,029 | 33 | 0 | 15,137 | 1,682 |
| Depreciation charge | 1,063 | 22 | 2,319 | 788 | 2 | | 4,194 | 783 |
| Depreciation written out to the Revaluation Reserve | (27) | (1) | | | (4) | | (32) | |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (75) | | | | | | (75) | |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | (130) | | | 6 | (30) | | (154) | |
| Derecognition - disposals | | | (777) | (420) | | | (1,197) | |
| Other movements in depreciation and impairment | (321) | | | | | | (321) | |
| **At 31 March 2012** | **6,203** | **26** | **7,919** | **3,403** | **1** | **0** | **17,552** | **2,465** |
| **Net Book Value** | | | | | | | | |
| **at 31 March 2012** | **63,148** | **1,069** | **6,542** | **3,108** | **187** | **1,346** | **75,400** | **45,631** |
| **at 31 March 2011** | **40,514** | **1,335** | **6,633** | **3,086** | **128** | **2,162** | **53,858** | **22,643** |

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 is between 1 and 10 years and of plant, furniture and equipment between 3 and 10 years.

The PCC has set a de minimus 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 £0.033m 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 £0.037m for every year that useful lives had to be reduced.

Capital Commitments

At 31 March 2013, the PCC has entered contracts for the enhancement and replacement of equipment in 2013-2014 and future years budgeted to cost £1.508m. Similar commitments at 31 March 2012 were £1.135m.

The major commitments are:

- Athena Regional Crime Management and Case Preparation system (replacement of above system) - £1.021m
- STORM (new upgraded multi agency command and control system) - £0.197m
- Additional car parking at Wymondham - £0.125m
- Carbon Management - £0.087m
- Vehicle replacements - £0.078m

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, NPS Property Consultants Limited, has valued properties with an effective date of 31 March 2013. 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:

| | **Land and Buildings** | **Police Houses** | **Furniture Plant and Equipment** | **Vehicles** | **Surplus Assets** | **TOTAL** |
|---|---|---|---|---|---|---|
| | **£ 000** | **£ 000** | **£ 000** | **£ 000** | **£ 000** | **£ 000** |
| Carried at historical cost | 78 | | 7,128 | 3,769 | | 10,975 |
| Valued at fair value as at | | | | | | |
| 31 March 2013 | 3,292 | | | | | 3,292 |
| 31 March 2012 | 26,601 | | | | 185 | 26,786 |
| 31 March 2011 | 9,531 | 804 | | | | 10,335 |
| 31 March 2010 | 21,696 | | | | | 21,696 |
| 31 March 2009 | 983 | | | | | 983 |
| **Total Valuation** | **62,181** | **804** | **7,128** | **3,769** | **185** | **74,067** |

The Assets under Construction of £0.987m as shown in the Property, Plant and Equipment table for 2012-13 (see Note 10 pages 67 and 68) have not been included in the programme for the valuation of non-current assets.

## 11. 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 PCC 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.

## 12. 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 2005-2006 which were being written off over 5 years. The life of these has been extended to 2012-2013 with the Innkeeper Licensing software being extended to 2013-2014.
- Software has been purchased during 2008-2009 for the Stores System and the Police National Database which are being written off over 5 years.
- Software has been purchased during 2009-2010 for the Casualty Reduction Partnership and Protective Services which are being written off over 5 years.
- Software has been purchased during 2010-2011 for a vetting database which are being written off over 5 years.
- Software has been purchased during 2011-2012 for the central control room, operational and performance databases and duties management which are being written off over 5 years. The operational and performance database has been disposed of during 2012-2013.

The carrying amount of intangible assets is amortised over a straight line basis. The amount of amortisation of £262k in 2012-2013 (£219k in 2011-2012) 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:

| Intangible Fixed Assets | Software Licences £ 000 | Software Purchases £ 000 | 2012-2013 TOTAL £ 000 | Software Licences £ 000 | Software Purchases £ 000 | 2011-2012 TOTAL £ 000 |
|---|---|---|---|---|---|---|
| Balance at start of year | | | | | | |
| - Gross carrying amount | 270 | 1,168 | **1,438** | 270 | 385 | **655** |
| - Accumulated Amortisation | (265) | (391) | **(656)** | (262) | (175) | **(437)** |
| Net carrying amount at start of year | 5 | 777 | **782** | 8 | 210 | **218** |
| Additions - Purchases | 55 | 80 | **135** | | 95 | **95** |
| Assets reclassified from Assets under Construction | | 42 | **42** | | 688 | **688** |
| Disposals | 0 | (63) | **(63)** | | | |
| Amortisation for the period | (14) | (248) | **(262)** | (3) | (216) | **(219)** |
| **Net carrying amount at end of year** | **46** | **588** | **634** | **5** | **777** | **782** |
| Comprising: | | | | | | |
| - Gross carrying amount | 95 | 1,166 | 1,261 | 270 | 1,168 | 1,438 |
| - Accumulated amortisation | (49) | (578) | (627) | (265) | (391) | (656) |
| | **46** | **588** | **634** | **5** | **777** | **782** |

## 13. FINANCIAL INSTRUMENTS

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

| | Current | | Long Term | |
|---|---|---|---|---|
| | **31 March 2013 £000** | **Restated 31 March 2012 £000** | **31 March 2013 £000** | **31 March 2012 £000** |
| **Investments** | | | | |
| Loans and receivables | 7,586 | 5,053 | | |
| | **7,586** | **5,053** | **0** | **0** |
| **Debtors** | | | | |
| Balances as per Balance Sheet | 10,939 | 10,475 | | |
| Balances relating to Council Tax | (1,522) | (1,443) | | |
| Prepayments | (3,379) | (1,059) | | |
| **Loans and receivables** | **6,038** | **7,973** | **0** | **0** |
| **Borrowings** | | | | |
| Financial borrowings at amortised cost | | | 13,161 | 13,161 |
| | **0** | **0** | **13,161** | **13,161** |
| **Other long term liabilities** | | | | |
| PFI finance lease liabilities | 679 | 623 | 65,111 | 65,790 |
| | **679** | **623** | **65,111** | **65,790** |
| **Creditors** | | | | |
| Balances as per Balance Sheet | 11,357 | 11,881 | 936 | 1,095 |
| Balances relating to Council Tax | (876) | (829) | | |
| Balances relating to PFI finance lease liabilities | (679) | (623) | | |
| | **9,802** | **10,429** | **936** | **1,095** |

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

| | 2012-2013 Financial Liabilities at amortised cost £000 | 2012-2013 Loans and Receivables £000 | 2012-2013 Total £000 | 2011-2012 Financial Liabilities at amortised cost £000 | 2011-2012 Loans and Receivables £000 | 2011-2012 Total £000 |
|---|---|---|---|---|---|---|
| **Expense** | | | | | | |
| Interest Expense | 774 | | 774 | 782 | | 782 |
| PFI Interest | 6,214 | | 6,214 | 5,835 | | 5,835 |
| PFI Expense | 590 | | 590 | 529 | | 529 |
| **Total in Surplus or Deficit on the provision of Services** | **7,578** | **0** | **7,578** | **7,146** | **0** | **7,146** |
| **Income** | | | | | | |
| Interest income | | (274 ) | (274 ) | | (261 ) | (261 ) |
| **Total in Surplus or Deficit on the provision of Services** | **7,578** | **(274 )** | **7,304** | **7,146** | **(261 )** | **6,885** |

<u>Fair Values of Assets and Liabilities</u>

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 2013 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 49 to 53.

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;

| | 31 March 2013 | | 31 March 2012 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| **PWLB fair value** | **13,161** | **18,879** | **13,161** | **18,367** |

## 14. INVENTORIES

| | Uniform and Clothing | | Vehicle Fuel and Oil | | Total | |
|---|---|---|---|---|---|---|
| | 2012-2013 £000 | 2011-2012 £000 | 2012-2013 £000 | 2011-2012 £000 | 2012-2013 £000 | 2011-2012 £000 |
| **Balance outstanding at start of year** | **267** | **260** | **38** | **32** | **305** | **292** |
| Purchases | 294 | 217 | 1,796 | 1,642 | 2,090 | 1,859 |
| Recognised as an expense in the year | (301) | (210) | (1,799) | (1,636) | (2,100) | (1,846) |
| **Balance outstanding at year end** | **260** | **267** | **35** | **38** | **295** | **305** |

## 15. DEBTORS

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

| | 31 March 2013<br>£ 000 | Restated<br>31 March 2012<br>£ 000 |
|---|---|---|
| Central Government Bodies | 4,169 | 3,548 |
| Other Local Authorities | 3,210 | 2,999 |
| NHS Bodies | 10 | 53 |
| Other Entities and Individuals | 3,550 | 3,875 |
| **Total Debtors** | **10,939** | **10,475** |

Amounts relating to the Council Tax accrued income (see note 38 on pages 124 and 125) are outside of accounting provisions as they are statutory debt and do not give rise from contracts. These amounts of £1.522m in 2012-2013 (£1.443m in 2011-2012) have been included within the 'Other Local Authorities' line above.

## 16. CASH AND CASH EQUIVALENTS

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

| | 31 March 2013<br>£ 000 | Restated<br>31 March 2012<br>£ 000 |
|---|---|---|
| Cash held by the PCC | (40) | (259) |
| Bank current accounts | 126 | 91 |
| Short term deposits with Banks and Building Societies | 18,996 | 20,050 |
| **Total Cash and Cash equivalents** | **19,082** | **19,882** |

Fixed term deposits were placed with financial institutions as follows;

| Period of Investment | Loan £ 000 | Year end accrued interest £ 000 | Balance Sheet value £ 000 | Balance as at | Investment Institution |
|---|---|---|---|---|---|
| 27.06.2011 to 30.04.2012 | 5,000 | 53 | 5,053 | 31 March 2012 | Barclays |
| 23.04.2012 to 23.07.2012 | 5,000 | | | | Lloyds |
| 23.08.2012 to 24.05.2013 | 7,500 | 86 | 7,586 | 31 March 2013 | Lloyds |

## 17. ASSETS HELD FOR SALE

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

| | Current Assets 2012-2013 £ 000 | Current Assets 2011-2012 £ 000 |
|---|---|---|
| **Balance outstanding at start of year** | **0** | 0 |
| Assets newly classified as held for sale: | | |
| - Property, Plant and Equipment | 575 | 260 |
| Assets sold | | (260) |
| Transfers from non current assets | | |
| **Balance outstanding at year end** | 575 | 0 |

## 18. CREDITORS

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

| | 31 March 2013<br>£ 000 | 31 March 2012<br>£ 000 |
|---|---|---|
| **Curent Creditors** | | |
| Central Government Bodies | 2,765 | 2,853 |
| Other Local Authorities | 2,417 | 2,166 |
| NHS bodies | 5 | 3 |
| Public Corporations and Trading Funds | 8 | 0 |
| Other Entities and Individuals | 6,162 | 6,859 |
| **Total Current Creditors** | **11,357** | **11,881** |
| **Long Term Creditors** | | |
| Other Local Authorities | 936 | 1,095 |
| **Total Long Term Creditors** | **936** | **1,095** |
| **Total Creditors** | **12,293** | **12,976** |

Amounts relating to the Council Tax accrued income (see note 38 on pages 124 and 125) are outside of accounting provisions as they are statutory debt and do not give rise from contracts. These amounts of £0.876m in 2012-2013 (£0.829m in 2011-2012) 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 PCC. The total debt due to be paid by the PCC at 31 March 2013 is £1.093m 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 107 to 110.

- OCC £237,942 (£212,386 in 2011-2012)
- PIC £441,145 (£410,525 in 2011-2012).

## 19. PROVISIONS

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

| | Insurance<br>£ 000 | Compensation<br>£ 000 | Workforce Modernisation<br>£ 000 | Pay Award<br>£ 000 | Pension<br>£ 000 | Total<br>£ 000 |
|---|---|---|---|---|---|---|
| **Balance as at 1 April 2012** | **530** | **138** | **134** | **221** | **460** | **1,483** |
| Additional provisions made in 2012-2013 | 344 | 22 | 5 | 0 | 93 | **464** |
| Amounts used in 2012-2013 | (176) | (58) | (134) | (110) | (78) | **(556)** |
| Unused amounts reversed in 2012-2013 | (163) | (80) | 0 | (111) | 0 | **(354)** |
| **Balance at 31 March 2013** | **535** | **22** | **5** | **0** | **475** | **1,037** |
| Current Liabilities | 245 | 22 | 5 | 0 | 475 | **747** |
| Long Term Liabilities | 290 | 0 | 0 | 0 | 0 | **290** |

<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 2012 was to provide for four new cases, one of which was in respect of a third party dispute which were all settled during 2012-2013. The balance as at 31 March 2013 is to provide for five new cases, one of which is in respect of a third party dispute. 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 2012 was to provide for pension strain and redundancy payments for five members of staff who were given redundancy notice following a workforce modernisation programme during 2011-2012 but who did not leave the Constabulary until after 1 April 2012. The balance as at 31 March 2013 is to provide for one member of staff given notice prior to 1 April 2013 but who will not leave the Constabulary until after 1 April 2013.

Pay award

The Government announced a pay freeze for all Local Government and police staff, for 2011-2012 and 2012-2013, except for lower paid staff who would receive a £250 increase from 1 September 2011. Agreement was reached between the PNB and Unison during 2012-2013 and payment has now been made.

Pension

A provision balance of £73k as at 31 March 2012 was to provide for the lump sum capital payment for an police officer given notice of ill-health retirement prior to 1 April 2012 but who did not leave the Constabulary until after 1 April 2012.

A balance of £73k as at 31 March 2013 is to provide for a police officer who has been given notice of ill-health retirement prior to 1 April 2013 but who will not leave the Constabulary until after 1 April 2013. An amount of £73k has been provided for the lump sum capital payment.

A provision of £387k was been 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 is subject to agreement with HMRC. Agreement has still to be finalised and the balance has been increased to £402k.

## 20. USABLE RESERVES

Movements in the PCC's usable reserves are detailed in the Movement in Reserves Statement on pages 28 and 29 and notes to the accounts on page 65 and 66.

## 21. UNUSABLE RESERVES

Movements in the PCC's unusable reserves are detailed in the below tables;

| 31 March 2012 £000 | Unusable Reserves | 31 March 2013 £000 |
|---|---|---|
| 2,925 | Revaluation Reserve | 3,913 |
| (18,302) | Capital Adjustment Account | (17,755) |
| 86 | Financial Instruments Adjustment Account | 74 |
| 614 | Collection Fund Adjustment Account | 646 |
| (535) | Accumulated Absences Account | (515) |
| (1,133,118) | Pensions Reserve | (1,332,835) |
| **(1,148,330)** | **Total Unusable Reserves** | **(1,346,472)** |

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.

| 2011-2012 £000 | Revaluation Reserve | | 2012-2013 £000 |
|---|---|---|---|
| **3,256** | **Balance at 1 April** | | **2,925** |
| (234) | Difference between fair value depreciation and historical cost depreciation | 988 | |
| (97) | Accumulated gains on assets sold or scrapped | 0 | |
| (331) | Amount written off to the Capital Adjustment Account | | 988 |
| **2,925** | **Balance at 31 March** | | **3,913** |

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 8 on pages 60 to 64 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2011-2012 £000 | Capital Adjustment Account | | 2012-2013 £000 |
|---|---|---|---|
| **(9,265)** | **Balance at 1 April** | | **(18,302)** |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| (4,112) | Charges for depreciation and impairment of non current assets | (4,843) | |
| (9,615) | Revaluation losses on Property, Plant and Equipment | (236) | |
| (219) | Amortisation of Intangible Assets | (262) | |
| (375) | 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 | (207) | |
| (14,321) | | (5,548) | |
| 162 | Adjusting amount written out of the Revaluation Reserve | 72 | |
| (14,159) | Amount written off to the Capital Adjustment Account | | (5,476) |
| | Capital financing applied in the year: | | |
| 264 | Use of the Capital Receipts Reserve to finance new capital expenditure | 22 | |
| 1,494 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 1,647 | |
| 1,261 | Application of grants to capital financing from the Capital Grants Unapplied Account | 1,868 | |
| 1,073 | Statutory provision for the financing of capital investment charged against the General Fund | 1,455 | |
| 1,030 | Capital expenditure charged against the General Fund | 1,031 | |
| 5,122 | | | 6,023 |
| **(18,302)** | **Balance at 31 March** | | **(17,755)** |

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 2013 will be recovered from the General Fund during the next 6 years.

| 2011-2012 £000 | | Financial Instruments Adjustment Account | | 2012-2013 £000 |
|---|---|---|---|---|
| | **98** | **Balance at 1 April** | | **86** |
| | (12) | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements | (12) | |
| (12) | | 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) |
| | **86** | **Balance at 31 March** | | **74** |

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.

| 2011-2012 £000 | Collection Fund Adjustment Account | 2012-2013 £000 |
|---|---|---|
| **985** | **Balance at 1 April** | **614** |
| (371) | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements | 32 |
| **614** | **Balance at 31 March** | **646** |

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.

| 2011-2012 £000 | Accumulated Absences Account | | 2012-2013 £000 |
|---|---|---|---|
| **(658)** | **Balance at 1 April** | | **(535)** |
| 658 | Settlement or cancellation of accrual made at the end of the preceding year | 535 | |
| (535) | Amounts accrued at the end of the current year | (515) | |
| 123 | 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 | 20 | 20 |
| **(535)** | **Balance at 31 March** | | **(515)** |

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 PCC 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 PCC 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 PCC 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.

| **2011-2012 £000** | **Pensions Reserve** | **2012-2013 £000** |
|---|---|---|
| (1,046,714) | **Balance at 1 April** | (1,133,118) |
| (18,547) | Actuarial gains and (losses) on pension assets and liabilities | (135,124) |
| (87,810) | 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 | (85,219) |
| 19,953 | Employer's pension contributions and direct payments to pensioners payable in the year | 20,626 |
| **(1,133,118)** | **Balance at 31 March** | **(1,332,835)** |

## 22. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

| | 2012-13 | | Restated 2011-12 | |
|---|---|---|---|---|
| | £ 000 | £ 000 | £ 000 | £ 000 |
| **Adjustments for non cash or cash equivalent items within deficit on provision of services;** | | | | |
| Depreciation & impairment of fixed assets | (5,341) | | (13,163) | |
| Pension cost adjustment from IAS19 | (63,883) | | (67,886) | |
| Internal capital movement met from revenue | (1,152) | | (893) | |
| Other movements | 313 | | 546 | |
| Contributions (to) / from provisions | 446 | | (774) | |
| Increase / (decrease) Inventories | (10) | | 13 | |
| Increase / (decrease) Debtors | 464 | | 4,486 | |
| (Increase) / decrease Creditors | 683 | | (418) | |
| | | **(68,480)** | | **(78,089)** |
| **The cash flows for operating ativities include;** | | | | |
| Interest Received | | (274) | | (261) |
| Interest Paid | | 774 | | 782 |
| PFI Capital Interest and Contingent Rent | | 6,804 | | 6,364 |
| **Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities** | | **0** | | **(32,027)** |

## 23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| | 2012-2013 £000 | Restated 2011-2012 £000 |
|---|---|---|
| Purchase of property, plant and equipment and intangible assets | 4,569 | 36,597 |
| Purchase of short term investments | 7,500 | 5,000 |
| Proceeds from the sale of property, plant and equipment and intangible assets | (22) | (264) |
| Proceeds from short term investments | 86 | 53 |
| Other receipts from investing activities | (5,053) | 0 |
| **Net cash flow from investing activities** | **7,080** | **41,386** |

## 24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

| | 2012-2013 £000 | 2011-2012 £000 |
|---|---|---|
| Cash payments for the reduction of the outstanding liabiities relating to finance leases and in balance sheet PFI contracts | 623 | 186 |
| **Net cash flows from financing activities** | **623** | **186** |

## 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 PCC 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 PCC, summarised by the principal Service Departments recorded in the budget reports for the year, is as follows:

| **Income and Expenditure 2012-2013** | **Commissioner** | **Chief Constable** | | | | **Group** |
|---|---|---|---|---|---|---|
| | **Office of Police & Crime Commissioner £000** | **Commands & Support £000** | **Departments £000** | **Joint Collaborative Units £000** | **Restated Corporate £000** | **Total £000** |
| Fees, charges and other service income | (1) | (3,180) | (625) | (283) | (2,129) | **(6,218)** |
| Government grants | 0 | (426) | (39) | 0 | (13,109) | **(13,574)** |
| Other grants & contributions | 0 | (614) | (36) | 0 | (113) | **(763)** |
| **Total Income** | **(1)** | **(4,220)** | **(700)** | **(283)** | **(15,351)** | **(20,555)** |
| Employee expenses | 588 | 86,157 | 10,685 | 24,564 | 4,802 | **126,796** |
| Other service expenses | 470 | 5,058 | 12,976 | 2,911 | 13,845 | **35,260** |
| **Total Expenditure** | **1,058** | **91,215** | **23,661** | **27,475** | **18,647** | **162,056** |
| **Net Expenditure** | **1,057** | **86,995** | **22,961** | **27,192** | **3,296** | **141,501** |
| Appropriations to / (from) Reserves | **207** | **385** | **0** | **0** | **3,777** | **4,369** |
| **Net Expenditure after Appropriations** | **1,264** | **87,380** | **22,961** | **27,192** | **7,073** | **145,870** |

During 2012-2013 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 2011-2012 - Restated | Commissioner | Chief Constable | | | | Group |
|---|---|---|---|---|---|---|
| | Office of Police & Crime Commissioner £000 | Commands & Support £000 | Departments £000 | Joint Collaborative Units £000 | Restated Corporate £000 | Total £000 |
| Fees, charges and other service income | 0 | (2,115) | (870) | (290) | (3,279) | **(6,554)** |
| Government grants | 0 | (308) | (74) | (1) | (14,714) | **(15,097)** |
| Other grants & contributions | 0 | (592) | (72) | 0 | (50) | **(714)** |
| **Total Income** | **0** | **(3,015)** | **(1,016)** | **(291)** | **(18,043)** | **(22,365)** |
| Employee expenses | 502 | 96,976 | 14,786 | 11,212 | 5,913 | **129,389** |
| Other service expenses | 579 | 4,893 | 15,540 | 514 | 11,794 | **33,320** |
| **Total Expenditure** | **1,081** | **101,869** | **30,326** | **11,726** | **17,707** | **162,709** |
| **Net Expenditure** | **1,081** | **98,854** | **29,310** | **11,435** | **(336)** | **140,344** |
| Appropriations to / (from) Reserves | **182** | **799** | **65** | **0** | **7,230** | **8,276** |
| **Net Expenditure** | **1,263** | **99,653** | **29,375** | **11,435** | **6,894** | **148,620** |

As the PCC holds all reserves the 2011-2012 table has been restated to identify separately the Appropriation to / (from) Reserves.

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.

| | 2012-2013 £ 000 | 2011-2012 £ 000 |
|---|---|---|
| Net expenditure in the Analysis | 145,870 | 148,620 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 14,875 | 23,234 |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | (10,819) | (12,494) |
| **Net Cost of Policing in Comprehensive Income and Expenditure Statement** | **149,926** | **159,360** |

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.

| **2012-2013** | 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 | (5,944) | 0 | 0 | **(5,944)** | 0 | **(5,944)** |
| Interest and investment income | (274) | 0 | 274 | **0** | (274) | **(274)** |
| Income from council tax | 0 | 0 | 0 | **0** | (59,773) | **(59,773)** |
| Government grants and contributions | (14,337) | 0 | 3,328 | **(11,009)** | (91,104) | **(102,113)** |
| **Total Income** | **(20,555)** | **0** | **3,602** | **(16,953)** | **(151,151)** | **(168,104)** |
| Employee expenses | 126,796 | 9,534 | 0 | **136,330** | 55,039 | **191,369** |
| Other service expenses | 38,855 | 0 | (13,647) | **25,208** | 6,804 | **32,012** |
| Depreciation, amortisation and impairment | 0 | 5,341 | 0 | **5,341** | 0 | **5,341** |
| Interest payments | 774 | 0 | (774) | **0** | 774 | **774** |
| Gains and losses on Disposal of Property, Plant and Equipment | 0 | 0 | 0 | **0** | 185 | **185** |
| **Total Expenditure** | **166,425** | **14,875** | **(14,421)** | **166,879** | **62,802** | **229,681** |
| **Surplus or deficit on the provision of services** | **145,870** | **14,875** | **(10,819)** | **149,926** | **(88,349)** | **61,577** |

| **2011-2012 Restated** | 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 | (6,293) | 0 | 0 | **(6,293)** | 0 | **(6,293)** |
| Interest and investment income | (261) | 0 | 261 | **0** | (261) | **(261)** |
| Income from council tax | 0 | 0 | 0 | **0** | (57,463) | **(57,463)** |
| Government grants and contributions | (15,811) | 0 | 4,757 | **(11,054)** | (97,037) | **(108,091)** |
| **Total Income** | **(22,365)** | **0** | **5,018** | **(17,347)** | **(154,761)** | **(172,108)** |
| Employee expenses | 129,389 | 9,288 | 0 | **138,677** | 58,446 | **197,123** |
| Other service expenses | 40,814 | 0 | (16,730) | **24,084** | 6,364 | **30,448** |
| Depreciation, amortisation and impairment | 0 | 13,946 | 0 | **13,946** | 0 | **13,946** |
| Interest payments | 782 | 0 | (782) | **0** | 782 | **782** |
| Gains and losses on Disposal of Property, Plant and Equipment | 0 | 0 | 0 | **0** | 111 | **111** |
| **Total Expenditure** | **170,985** | **23,234** | **(17,512)** | **176,707** | **65,703** | **242,410** |
| **Surplus or deficit on the provision of services** | **148,620** | **23,234** | **(12,494)** | **159,360** | **(89,058)** | **70,302** |

## 26. MEMBERS'ALLOWANCES

The total amount of members' allowances paid in 2012-2013 was £143,791 (£222,702 in 2011-2012). This relates to the period 1 April 2012 to 21 November 2012 on the cessation of the Norfolk Police Authority.

## 27. OFFICERS' REMUNERATION

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

| Postholder information | Year | Salary, Fees and Allces £ | Bonuses £ | Expense Allces £ | Benefits in Kind £ | Total Excl. Pension Contribs £ | Employer's Pension Contribs £ | Total Incl. Pension Contributions £ |
|---|---|---|---|---|---|---|---|---|
| **Police & Crime Commissioner - Stephen Bett** Elected 22 November 2012 | 2012-13 | 25,083 | 0 | 70 | 0 | **25,153** | 4,114 | **29,267** |
| **Deputy Police & Crime Commissioner Jenny McKibben** - Appointed 17 December 2012 | 2012-13 | 16,258 | 0 | 0 | 0 | **16,258** | 2,666 | **18,924** |
| **Head of Staff** | 2012-13 | 111,975 | 0 | 92 | 11,248 | **123,315** | 18,318 | **141,633** |
| | 2011-12 | 111,970 | 0 | 100 | 11,249 | **123,319** | 17,803 | **141,122** |
| **Chief Finance Officer** (works 22.5 hrs/week) - | 2012-13 | 51,151 | 0 | 0 | 0 | **51,151** | 0 | **51,151** |
| | 2011-12 | 51,149 | 0 | 0 | 0 | **51,149** | 0 | **51,149** |

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 £ | Bonuses £ | Expense Allces £ | Benefits in Kind £ | Total Excl. Pension Contribs £ | Employer's Pension Contribs £ | Total Incl. Pension Contributions £ |
|---|---|---|---|---|---|---|---|---|
| **Chief Constable P Gormley** | 2012-13 | 168,804 | 0 | 2,295 | 58,038 | **229,137** | 32,844 | **261,981** |
| | 2011-12 | 167,967 | 0 | 2,294 | 4,424 | **174,685** | 32,829 | **207,514** |
| **Deputy Chief Constable** | 2012-13 | 138,438 | 0 | 1,489 | 3,884 | **143,811** | 27,097 | **170,908** |
| | 2011-12 | 138,375 | 0 | 1,488 | 4,173 | **144,036** | 27,084 | **171,120** |
| **Assistant Chief Constable (1)** - Retired 19.08.12 | 2012-13 | 57,974 | 0 | 3,000 | 670 | **61,644** | 0 | **61,644** |
| | 2011-12 | 135,490 | 0 | 7,643 | 1,565 | **144,698** | 5,892 | **150,590** |
| **Assistant Chief Constable (2)** | 2012-13 | 127,128 | 10,282 | 7,098 | 4,190 | **148,698** | 24,816 | **173,514** |
| | 2011-12 | 126,792 | 0 | 7,094 | 4,263 | **138,149** | 24,749 | **162,898** |
| **Assistant Chief Constable (3)** - Appointed 18.06.12 | 2012-13 | 100,264 | 0 | 200 | 4,439 | **104,903** | 17,835 | **122,738** |
| **Assistant Chief Constable (4)** | 2012-13 | 93,978 | 0 | 0 | 3,360 | **97,338** | 21,896 | **119,234** |
| Appointed 17.10.11 | 2011-12 | 43,355 | 0 | 0 | 2,134 | **45,489** | 10,101 | **55,590** |
| **Assistant Chief Officer Resources** | 2012-13 | 105,563 | 0 | 6,724 | 0 | **112,287** | 17,270 | **129,557** |
| | 2011-12 | 105,559 | 0 | 6,655 | 0 | **112,214** | 16,784 | **128,998** |

The Assistant Chief Constable (2) above has executive portfolio with Suffolk Constabulary under joint arrangements (see Note 39 on page 126). 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 2012-2013. The amount recharged is £62,861.

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 table are included);

| Remuneration band | 2012-2013 Number of Employees | 2011-2012 Number of Employees |
|---|---|---|
| £50,000 - £54,999 | 9 | 10 |
| £55,000 - £59,999 | 2 | 2 |
| £60,000 - £64,999 | 0 | 1 |
| £65,000 - £69,999 | 2 | 1 |
| £70,000 - £74,999 | 0 | 4 |
| £75,000 - £79,999 | 2 | 2 |
| £80,000 - £84,999 | 2 | 1 |
| £85,000 - £89,999 | 1 | 3 |
| £90,000 - £94,999 | 2 | 1 |
| £95,000 - £99,999 | 1 | 1 |
| £100,000 - £104,999 | 1 | 1 |
| £110,000 - £114,999 | 1 | 1 |
| £120,000 - £124,999 | 1 | 1 |
| £135,000 - £139,999 | 0 | 1 |
| £140,000 - £144,999 | 1 | 2 |
| £145,000 - £149,999 | 1 | 0 |
| £170,000 - £174,999 | 0 | 1 |
| £225,000 - £229,999 | 1 | 0 |

Employer’s pension contributions are made at the rate of 24.2% of pensionable pay for police officers and 16.4% of pensionable pay for staff in accordance with the separate pension arrangements for police officers and staff. See note 35 on pages 111 to 120.

Further information on bonuses, expenses, allowances and benefits in kind is available in the “Payments and Benefits in Kind” booklet on the OPCCN’s website www.norfolk-pcc.gov.uk.

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 PCC 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’.

| 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2012-2013 | 2011-2012 | 2012-2013 | 2011-2012 | 2012-2013 | 2011-2012 | 2012-2013 | 2011-2012 |
| **£0 - £20,000** | 20 | 15 | 1 | 0 | 21 | 15 | 146 | 127 |
| **£20,001 - £40,000** | 0 | 3 | 0 | 0 | 0 | 3 | 0 | 83 |
| **£40,001- £60,000** | 1 | 0 | 0 | 0 | 1 | 0 | 60 | 0 |
| **£60,001- £80,000** | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 76 |
| **Total** | **21** | **19** | **1** | **0** | **22** | **19** | **206** | **286** |

## 28. EXTERNAL AUDIT COSTS

The following costs were made in 2012-2013 by the external auditors Ernst and Young to carry out the audits on the Statement of Accounts for the PCC and CC. The 2011-2012 audit was provided to the Norfolk Police Authority by The Audit Commission and included additional audit fees and rebate.

| | Planned Fees Police & Crime Commissioner 2012-2013 £ | Planned Fees Chief Constable 2012-2013 £ | Actual Fees Police Authority 2011-2012 £ |
|---|---|---|---|
| **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 | 50,000 | 20,000 | 81,880 |
| Additional audit fees | | | |
| - Statutory audit of PFI scheme | | | 8,730 |
| Rebate for internal efficiency savings | | | (6,550) |
| **Total** | **50,000** | **20,000** | **84,060** |

## 29. GRANT INCOME

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

| | 2012-2013 £000 | 2011-2012 £000 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income** | | |
| **Other Government Grants** | | |
| PFI Grant OCC | 3,309 | 3,309 |
| Council Tax Freeze | 0 | 1,428 |
| Loan Charges Grant | 19 | 20 |
| **Total** | **3,328** | **4,757** |
| **Capital Grants and Contributions** | | |
| Capital Grant | 1,377 | 1,165 |
| NPIA Grant | 73 | 317 |
| HO Capital Contributions | 120 | 12 |
| Norfolk County Council | 49 | 0 |
| Other Organisations | 28 | 0 |
| **Total** | **1,647** | **1,494** |

| | 2012-2013 £000 | 2011-2012 £000 |
|---|---|---|
| **Credited to Services** | | |
| Neighbourhood Policing Fund | 3,933 | 3,956 |
| PFI Grant PICs | 3,448 | 3,448 |
| Single Counter Terrorism Grant | 2,335 | 2,552 |
| Partnership Funding | 680 | 704 |
| Criminal Records Bureau | 373 | 234 |
| Other smaller grants | 157 | 149 |
| Sponsorship and Donations | 83 | 11 |
| **Total** | **11,009** | **11,054** |

## 30. RELATED PARTIES

The PCC 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 PCC. Disclosure of these transactions allows readers to assess the extent to which the PCC 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 PCC. It is responsible for providing the statutory framework, within which the PCC operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the PCC 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 92 and 93 on reporting for resources allocation decisions.

Members of the Norfolk Police Authority
Members of the Authority had until 21 November 2012 direct control over financial and operating policies. The total members' allowances paid in 2012-2013 are shown in note 26 on page 97. There are two disclosures (see note 37 on page 124);

- A Member was a Trustee of PACT in the capacity of an Authority representative
- A Lay Member was a Trustee of PACT

Officers

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

Other Public Bodies

These include Norfolk County Council and the seven District Councils. Material 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.

| | 2012-2013 £000 | 2011-2012 £000 |
|---|---|---|
| **Opening Capital Financing Requirement** | 91,559 | 60,085 |
| **Capital Investment** | | |
| Property, Plant and Equipment | 4,434 | 36,502 |
| Intangible Assets | 135 | 95 |
| **Sources of Finance** | | |
| Capital receipts | (22) | (264) |
| Government Grants & Other Contributions | (3,515) | (2,756) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (1,032) | (1,030) |
| Minimum Revenue Provision | (1,297) | (916) |
| **Other Adjustments** | | |
| Transferred Debt Repayment | (158) | (157) |
| **Closing Capital Financing Requirement** | 90,104 | 91,559 |
| **Explanation of Movements in Year** | | |
| Increase in underlying need to borrow (supported by Government financial assistance) | 0 | 0 |
| Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance) | (1,455) | (553) |
| Assets acquired under PFI contracts | 0 | 32,027 |
| **Increase/(decrease) in Capital Financing Requirement** | (1,455) | 31,474 |

## 32. LEASES

PCC as Lessee

Finance Leases –

The PCC has no Property, Plant, Vehicles or Equipment operating under the terms of a finance lease.

Operating Leases –

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 £682,465 (£768,880 in 2011-2012).

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

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| No later than one year | 656 | 719 |
| Later than one year and not later than five years | 2,008 | 2,189 |
| Later than five years | 1,020 | 1,363 |
| **Operating leases as Lessee** | **3,684** | **4,271** |

PCC as Lessor

Finance Leases –

The PCC has no Property, Plant, Vehicles or Equipment operating under the terms of a finance lease.

Operating Leases –

The PCC has granted several leases on properties which have been accounted for as operating leases. The total rentals receivable in 2012-2013 was £42,756 (£31,355 in 2011-2012).

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

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| No later than one year | 22 | 28 |
| Later than one year and not later than five years | 25 | 71 |
| Later than five years | 25 | 45 |
| **Operating leases as Lessor** | **72** | **144** |

This income relates to 6 leases for which only part of a property is being leased.

## 33. PRIVATE FINANCE INITIATIVES

1. Operations and Communications Centre at Wymondham

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

The actual level of payments is dependent on availability of the site and the provision and delivery of services within. The estimated cost covers the contract standard facilities management provision. The contract, which is for a period of 35 years starting from 2001, has an option 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 10 on pages 67 to 72.

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

| | Payment of Services £000 | Repayment of Capital Expenditure £000 | Interest £000 | Total £000 |
|---|---|---|---|---|
| Payable in 2013-2014 | 1,306 | 238 | 3,522 | 5,066 |
| Payable within 2 to 5 years | 5,244 | 1,275 | 13,743 | 20,262 |
| Payable within 6 to 10 years | 7,038 | 2,670 | 15,619 | 25,327 |
| Payable within 11 to 15 years | 7,572 | 4,712 | 13,043 | 25,327 |
| Payable within 16 to 20 years | 8,093 | 8,315 | 8,919 | 25,327 |
| Payable within 21 to 24 years | 6,601 | 10,145 | 1,345 | 18,091 |
| **Total** | **35,854** | **27,355** | **56,191** | **119,400** |

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 is as follows:

| | 2012-2013 £000 | 2011-2012 £000 |
|---|---|---|
| Balance outstanding at start of year | 27,568 | 27,757 |
| Payments during the year | 213 | 189 |
| **Balance outstanding at year-end** | **27,355** | **27,568** |

2. Police Investigations Centres (PIC)

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 2013.

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 2012-2013 for the unitary charge and running costs was £647k (£508k in 2011-2012).

The total asset value of Aylsham, Wymondham and Kings Lynn are held on the Norfolk PCC Balance Sheet as these PICs are not shared with Suffolk Constabulary and the PIC at Ipswich is held on the Suffolk PCC 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 Balance Sheet in 2012-2013.

| PIC | Service Commencement Date | Norfolk % on Balance Sheet | Suffolk % on Balance Sheet | Balance Sheet £000 |
|---|---|---|---|---|
| Aylsham | 28.02.2011 | 100 | 0 | 5,264 |
| Wymondham | 04.04.2011 | 100 | 0 | 9,508 |
| Kings Lynn | 25.04.2011 | 100 | 0 | 8,189 |
| Ipswich | 06.06.2011 | 0 | 100 | 0 |
| Bury St. Edmunds | 04.07.2011 | 33.33 | 66.67 | 3,233 |
| Gt. Yarmouth | 07.11.2011 | 50 | 50 | 4,151 |

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 10 on pages 67 to 72.

During the financial years 2010-2011 to 2040-2041 the Norfolk and Suffolk PCCs are committed to making payments under a contract with a consortium for the use of the 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 PCCs.

Norfolk and Suffolk PCCs have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the 6 properties located in the 2 Counties - this being Norfolk 58.2% and Suffolk 41.8%. The payment made by the PCC during 2012-2013 was £4.312 million (£3.137m in 2011-2012).

The PCC makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2013 (which exclude any availability/performance deductions), are shown in the following table;

| | Payment of Services £000 | Repayment of Capital Expenditure £000 | Interest £000 | Total £000 |
|---|---|---|---|---|
| Payable in 2013-2014 | 1,189 | 441 | 3,443 | **5,073** |
| Payable within 2 to 5 years | 6,047 | 2,119 | 12,577 | **20,743** |
| Payable within 6 to 10 years | 9,709 | 3,669 | 13,657 | **27,035** |
| Payable within 11 to 15 years | 12,411 | 5,257 | 10,746 | **28,414** |
| Payable within 16 to 20 years | 13,421 | 7,532 | 9,021 | **29,974** |
| Payable within 21 to 25 years | 13,653 | 10,793 | 7,293 | **31,739** |
| Payable within 26 to 28 years | 10,887 | 8,624 | (100) | **19,411** |
| **Total** | **67,317** | **38,435** | **56,637** | **162,389** |

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.

| | 2012-2013 £000 | 2011-2012 £000 |
|---|---|---|
| Balance outstanding at start of year | 38,846 | 38,962 |
| Payments during the year | 411 | 116 |
| **Balance outstanding at year-end** | **38,435** | **38,846** |

## 34. TERMINATION BENEFITS

The PCC terminated the contracts of 22 employees in 2012-2013 (19 in 2011-2012), incurring liabilities of £206k (£286k in 2011-2012). See Note 27 on pages 99 and 100, for the number of exit packages and total cost per band.

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

## 35. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the PCC makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the PCC has a commitment to make the payments that needs to be disclosed 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 129 to 131.

- 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 PCC 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.

  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. The next triennial review is due during 2013. The service contribution rate and annual deficit payment for the 3 years 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 |

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 PCC 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:

| | Local Government Pension Scheme | | Police Pension Scheme 2012-2013 | | | | Police Pension Scheme 2011-2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012-2013 | 2011-2012 | Old Scheme | Injury Award | New Scheme | Total | Old Scheme | Injury Award | New Scheme | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Comprehensive Income and Expenditure Statement** | | | | | | | | | | |
| Net Cost of Services: | | | | | | | | | | |
| - current service cost | 5,526 | 5,307 | 20,070 | 970 | 3,480 | 24,520 | 19,870 | 590 | 3,540 | 24,000 |
| - past service cost | 8 | 0 | 0 | 20 | 0 | 20 | 0 | 0 | 0 | 0 |
| - gains/losses on settlements and curtailments | 106 | 57 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing and Investment Income and Expenditure | | | | | | | | | | |
| - interest cost | 6,861 | 6,815 | 49,890 | 2,540 | 1,660 | 54,090 | 54,950 | 2,440 | 1,120 | 58,510 |
| - expected return on scheme assets | (5,912) | (6,879) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service | 6,589 | 5,300 | 69,960 | 3,530 | 5,140 | 78,630 | 74,820 | 3,030 | 4,660 | 82,510 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | | | | | | | |
| - Actuarial gains and losses | 13,967 | 14,322 | 103,115 | 6,840 | 11,202 | 121,157 | (7,464) | 6,950 | 4,739 | 4,225 |
| **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **20,556** | **19,622** | **173,075** | **10,370** | **16,342** | **199,787** | **67,356** | **9,980** | **9,399** | **86,735** |
| 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 | (6,589) | (5,300) | (69,960) | (3,530) | (5,140) | (78,630) | (74,820) | (3,030) | (4,660) | (82,510) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | | | | | |
| - employers' contributions payable to scheme | 5,179 | 4,978 | 11,965 | 1,210 | 2,272 | 15,447 | 11,586 | 1,080 | 2,309 | 14,975 |

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains and losses on pension assets and liabilities line was at 31 March 2013 a loss of £152.571m and at 31 March 2012 a loss of £17.447m. See the Comprehensive Income and Expenditure Statement on pages 30 and 31.

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

| | **Funded Liabilities Local Government Pension Scheme** | | **Unfunded Liabilities Police Pension Scheme** | |
|---|---|---|---|---|
| | **2012-2013 £000** | **2011-2012 £000** | **2012-2013 £000** | **2011-2012 £000** |
| Opening Balance 1 April | (140,791) | (120,678) | (1,097,900) | (1,026,140) |
| Current Service Cost | (5,526) | (5,307) | (24,520) | (24,000) |
| Interest Cost | (6,861) | (6,815) | (54,090) | (58,510) |
| Contributions by Scheme Participants | (2,032) | (2,083) | (6,630) | (6,060) |
| Actuarial Gains and Losses | (22,392) | (9,191) | (136,530) | (18,770) |
| Benefits Paid | 3,324 | 3,340 | 37,450 | 35,580 |
| Past Service Costs | (8) | 0 | (20) | 0 |
| Settlement and Curtailment | (106) | (57) | 0 | 0 |
| **Closing Balance at 31 March** | **(174,392)** | **(140,791)** | **(1,282,240)** | **(1,097,900)** |

Reconciliation of fair value of the scheme (plan) assets:

| | **Funded Assets Local Government Pension Scheme** | | **Unfunded Assets Police Pension Scheme** | |
|---|---|---|---|---|
| | **2012-2013 £000** | **2011-2012 £000** | **2012-2013 £000** | **2011-2012 £000** |
| Opening Balance at 1 April | 105,573 | 100,104 | 0 | 0 |
| Expected rate of return | 5,912 | 6,879 | 0 | 0 |
| Actuarial gains and losses | 8,425 | (5,131) | 15,373 | 14,545 |
| Employer contributions | 5,179 | 4,978 | 15,447 | 14,975 |
| Contributions by scheme participants | 2,032 | 2,083 | 6,630 | 6,060 |
| Benefits paid | (3,324) | (3,340) | (37,450) | (35,580) |
| **Closing Balance at 31 March** | **123,797** | **105,573** | **0** | **0** |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets,

The actual return on scheme assets in the year was a deficit of £14.337m (£1.003m deficit in 2011-2012).

Total of assets and liabilities of the schemes

| | **Local Government Pension Scheme** | | **Police Pension Scheme** | |
|---|---|---|---|---|
| | **2012-2013 £000** | **2011-2012 £000** | **2012-2013 £000** | **2011-2012 £000** |
| Opening Balance 1 April | (35,218) | (20,574) | (1,097,900) | (1,026,140) |
| Current Service Cost | (5,526) | (5,307) | (24,520) | (24,000) |
| Contributions by Employer | 5,179 | 4,978 | 15,447 | 14,975 |
| Contributions by Scheme Participants | 0 | 0 | 0 | 0 |
| Past Service Costs | (8) | 0 | (20) | 0 |
| Interest Cost | (6,861) | (6,815) | (54,090) | (58,510) |
| Expected Return on assets | 5,912 | 6,879 | 0 | 0 |
| Settlement and Curtailment | (106) | (57) | 0 | 0 |
| Actuarial Gains and Losses | (13,967) | (14,322) | (121,157) | (4,225) |
| **Closing Balance at 31 March** | **(50,595)** | **(35,218)** | **(1,282,240)** | **(1,097,900)** |

Scheme History

| | 2008-2009 Restated £ 000 | 2009-2010 Restated £ 000 | 2010-2011 £ 000 | 2011-2012 £ 000 | 2012-2013 £ 000 |
|---|---|---|---|---|---|
| Present value of liabilities | | | | | |
| ▪ Local Government Pension Scheme | (83,383) | (155,605) | (120,678) | (140,791) | (174,392) |
| ▪ Police Pension Scheme | (739,600) | (1,097,040) | (1,026,140) | (1,097,900) | (1,282,240) |
| Fair value of Assets in the Local Government Pension Scheme | 64,762 | 91,472 | 100,104 | 105,573 | 123,797 |
| | (758,221) | (1,161,173) | (1,046,714) | (1,133,118) | (1,332,835) |
| Surplus/(Deficit) in the Scheme: | | | | | |
| ▪ Local Government Pension Scheme | (18,621) | (64,133) | (20,574) | (35,218) | (50,595) |
| ▪ Police Pension Scheme | (739,600) | (1,097,040) | (1,026,140) | (1,097,900) | (1,282,240) |
| Total | (758,221) | (1,161,173) | (1,046,714) | (1,133,118) | (1,332,835) |

The liabilities show the underlying commitments that the PCC has in the long run to pay post employment (retirement) benefits. The total liability of £1,332.835m has a substantial impact on the net worth of the PCC as recorded in the Balance Sheet, resulting in a negative overall balance of £1,310.272m.

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

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie, 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.

The total employer contributions expected to be made to the Local Government Pension Scheme by the PCC in the year to 31 March 2013 are £5.706m. Expected contributions for the police pension scheme in the year to 31 March 2013 are £13.417m.

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 111 and 112 above.

The principal assumptions used by the actuaries have been:

| | Local Government Pension Scheme | | Police Pension Scheme | |
|---|---|---|---|---|
| | 2012-2013 | 2011-2012 | 2012-2013 | 2011-2012 |
| Long-term expected rate of return on assets in the scheme: | | | | |
| Equity Investments | 4.5% | 6.2% | - | - |
| Bonds | 4.5% | 4.2% | - | - |
| Property | 4.5% | 4.4% | - | - |
| Cash | 4.5% | 3.5% | - | - |
| Mortality assumptions: | | | | |
| Longevity of 65 for current pensioners: | | | | |
| Men | 21.2 | 21.2 | 23.4 | 23.3 |
| Women | 23.4 | 23.4 | 25.8 | 25.7 |
| Longevity of 65 for future pensioners: | | | | |
| Men | 23.6 | 23.6 | 25.7 | 25.6 |
| Women | 25.8 | 25.8 | 27.9 | 27.8 |
| Rate of Inflation | 3.6% | 3.3% | 3.6% | 3.3% |
| Rate of increase in salaries | 5.1% | 4.8% | 4.8% | 4.7% |
| Rate of increase in pensions | 2.8% | 2.5% | 2.5% | 2.5% |
| Rate of discounting scheme liabilities | 4.5% | 4.8% | 4.3% | 4.9% |
| Take-up option to convert annual pension into retirement lump sums | | | | |
| Pre April 2008 service | 50% | 50% | * | * |
| Post April 2008 service | 75% | 75% | * | * |

Note: * The commutation terms are cost neutral to the scheme and therefore no explicit allowance has been made for commutation.

The Police Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held by the Fund:

| | 31 March 2013 % | 31 March 2012 % |
|---|---|---|
| Equity investments | 68 | 66 |
| Bonds | 19 | 19 |
| Other assets | 13 | 15 |
| | 100 | 100 |

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2012-2013 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

| | 2008-2009 % | 2009-2010 % | 2010-2011 % | 2011-2012 % | 2012-2013 % |
|---|---|---|---|---|---|
| Difference between the expected and actual rate of return | (33.93) | 18.24 | (2.77) | (4.86) | 6.81 |
| Experience gains and losses on liabilities | 0.00 | 0.00 | (15.34) | 1.75 | (0.09) |

## 36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The PCCs activities expose it to a variety of financial risks:

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

The PCC's 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 2013 £0.762m (£1.2m in 2011-2012) 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 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| Less than three months | 750 | 1,187 |
| Three to six months | 0 | 3 |
| Six months to one year | 0 | 5 |
| More than one year | 12 | 5 |
| | **762** | **1,200** |

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 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| Between two and ten years | 1,400 | 400 |
| Between ten and fifteen years | 5,794 | 5,030 |
| Between fifteen and twenty one years | 2,344 | 4,108 |
| Between forty two and forty six 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 18 on page 80).

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(1) on page 107 and note 33(2) on page 110.

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 £18.879m in 2012-2013 (£18.367m in 2011-2012).

**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 has 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 PCC (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 PCC 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 2012-2013 was £33,815 (£33,974 in 2011-2012).

## 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 PCC's net budget. The net amount to the PCC 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.

| 2012-2013 | | | | 2011-2012 | | |
|---|---|---|---|---|---|---|
| **Precept Received In year £000** | **Adjustment for Accrued Amount £000** | **Income & Expenditure Account Total £000** | **Billing Authority** | **Precept Received In year £000** | **Adjustment for Accrued Amount £000** | **Income & Expenditure Account Total £000** |
| 8,611 | (16) | 8,595 | Breckland | 8,361 | (111) | 8,250 |
| 9,003 | (19) | 8,984 | Broadland | 8,673 | (3) | 8,670 |
| 10,390 | (30) | 10,360 | Kings Lynn & West Norfolk | 9,973 | (121) | 9,852 |
| 8,104 | 105 | 8,209 | Norwich | 7,886 | (63) | 7,823 |
| 6,186 | 88 | 6,274 | Great Yarmouth | 6,094 | (11) | 6,083 |
| 8,195 | (19) | 8,176 | North Norfolk | 7,893 | 35 | 7,928 |
| 9,252 | (77) | 9,175 | South Norfolk | 8,954 | (97) | 8,857 |
| **59,741** | **32** | **59,773** | **Total Council Tax** | **57,834** | **(371)** | **57,463** |

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 page 87.

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

| | 2012-13 £000 | 2011-12 £000 |
|---|---|---|
| Council Tax Arrears | 2,565 | 2,277 |
| Allowance for Doubtful Debts | (1,212) | (1,150) |
| Council Tax Prepayments | (876) | (829) |
| Cash | 169 | 316 |
| Collection Fund Deficit | (646) | (614) |

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.

<u>Retention of Business Rates</u>

New arrangements come into effect on 1 April 2013 whereby local authorities will be liable for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to Central Government in respect of 2012-2013 and previous years.
As the PCC will be responsible for the police share of these liabilities on 1 April 2013 a provision to recognise the share should be recognised. However in 2012-2013 this should only be recognised as a non-adjusting post balance sheet event. The PCC share is not considered to be material and no provision has been made.

## 39. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

**Norfolk and Suffolk Joint Arrangements -**

The PCC has collaborative agreements with Suffolk PCC which are classed as ‘Joint Ventures’.

From 2011-2012 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 Team, HR Management, Media and Communications and Heads of Joint Departments within the Business Support area.

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;

| | 2012-2013 | | | | 2011-2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Protective Services £000 | Justice Services £000 | Business Support £000 | Total £000 | Protective Services £000 | Justice Services £000 | Business Support £000 | Total £000 |
| **Norfolk PCC** | 11,559 | 8,664 | 6,968 | **27,191** | 6,083 | 3,400 | 1,952 | **11,435** |
| **Suffolk PCC** | 8,899 | 6,671 | 5,365 | **20,935** | 4,684 | 2,618 | 1,499 | **8,801** |
| **Total** | **20,458** | **15,335** | **12,333** | **48,126** | **10,767** | **6,018** | **3,451** | **20,236** |

**ERSOU Joint Arrangements –**

On 1 April 2010 a collaborative agreement was set up with Norfolk and the other forces within the Eastern Region to create the Eastern Regional Specialist Operations Unit, ‘ERSOU’. These agreements are classed as ‘Joint Ventures’ for which Hertfordshire PCC acts as the lead.

ERSOU consist of the six eastern region police forces: Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk. The unit provides a single serious and organised crime function across the region and comprises a number of units and teams as shown in the table below (not all forces will be part of, and contribute to, each of the units).
All revenue costs and capital expenditure are shared between the six forces in accordance with the agreed cost sharing ratio shown below.

The ERSOU revenue account is shown in the following table. The expenditure figures do not include depreciation charges and the Home Office grants were paid to Hertfordshire as agent. Hertfordshire have restated the 2011-2012 balances due to a reclassification of the 2010-2011 surplus on balances carried forward from £0.121m to £0.041m, together with the identification of additional staff.

| **Total 2011-2012 Restated** | | **Regional Asset Recovery Team (RART)** | **Regional Investigation Unit (RIU)** | **ERSOU Units** | **Northern Investigation Team (NIT)** | **Southern Investigation Team (SIT)** | **Total 2012-2013** |
|---|---|---|---|---|---|---|---|
| **£000** | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| 7,005 | Operating costs | 916 | 1,563 | 1,695 | 1,577 | 1,578 | **7,329** |
| 0 | Operating income | 0 | (22) | 0 | 0 | 0 | **(22)** |
| (1,535) | Specific HO Grant | (916) | (608) | 0 | 0 | 0 | **(1,524)** |
| 5,470 | Net expenditure | 0 | 933 | 1,695 | 1,577 | 1,578 | **5,783** |
| | Contributions from forces: | | | | | | |
| (1,020) | Bedfordshire | 0 | (99) | (273) | 0 | (710) | **(1,082)** |
| (914) | Cambridgeshire | 0 | (161) | (318) | (522) | 0 | **(1,001)** |
| (216) | Essex | 0 | (251) | 0 | 0 | 0 | **(251)** |
| (1,440) | Hertfordshire | 0 | (176) | (460) | 0 | (868) | **(1,504)** |
| (1,041) | Norfolk | 0 | (140) | (364) | (596) | 0 | **(1,100)** |
| (803) | Suffolk | 0 | (107) | (280) | (459) | 0 | **(846)** |
| 36 | (Surplus)/Deficit for year | 0 | (1) | 0 | 0 | 0 | (1) |
| (121) | (Surplus)/Deficit brought forward | | | | | | **(74)** |
| 0 | Opening Adjustment | | | | | | **72** |
| 11 | Applied to training accounts | | | | | | **0** |
| **(74)** | **Surplus/Deficit carried forward** | | | | | | **(3)** |

The percentage shares of net expenditure form the basis of the calculation of the contributions shown in the above table. The agreed cost sharing ratios are shown below together with the share of the RIU grant for 2012-2013 and the cumulative surplus at 31st March 2013.

| Force | ERSOU | Northern Investigation Team (NIT) | Southern Investigation Team (SIT) | Regional Investigation Unit (RIU) | Share of RIU Grant | Share of Surplus |
|---|---|---|---|---|---|---|
| | % | % | % | % | £000 | £000 |
| **Bedfordshire** | 15.0 | | 45.0 | 10.8 | 66 | 0 |
| **Cambridgeshire** | 19.0 | 33.1 | | 13.7 | 83 | 1 |
| **Essex** | | | | 28.1 | 171 | 1 |
| **Hertfordshire** | 27.5 | | 55.0 | 19.8 | 120 | 1 |
| **Norfolk** | 21.8 | 37.8 | | 15.6 | 95 | 1 |
| **Suffolk** | 16.7 | 29.1 | | 12.0 | 73 | 0 |
| **Total** | **100** | **100** | **100** | **100** | **608** | **4** |

All vehicles, equipment and premises procured for the unit by Hertfordshire, as the lead PCC, are maintained on the Hertfordshire asset register.

# 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 2013.

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 37 to 55.

### Summary of Arrangements

The PCC 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 PCC to set up a new police pension fund account established under the Police Pension Fund Regulations 2007. Contributions from the PCC (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 PCC 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 Balance Sheet (see pages 32 to 34) is £1,333m (£1,133m in 2011-2012). See also Note 35 on pages 111 to 120.

**Norfolk Police Officer Pension Fund Account for the year ended 31 March 2013**

| POLICE PENSION FUND ACCOUNT | 2012-2013 Old Scheme £000 | 2012-2013 New Scheme £000 | 2012-2013 Total £000 | 2011-2012 Old Scheme £000 | 2011-2012 New Scheme £000 | 2011-2012 Total £000 |
|---|---|---|---|---|---|---|
| Contributions Receiveable | | | | | | |
| PCC - | | | | | | |
| Contributions at 24.2% of pensionable pay | 11,278 | 2,272 | 13,550 | 11,371 | 2,309 | 13,680 |
| Early Retirements | 687 | | 687 | 215 | | 215 |
| Officers contributions | 5,521 | 1,112 | 6,633 | 5,153 | 907 | 6,060 |
| Transfers In from other pension bodies | 63 | 372 | 435 | 128 | 42 | 170 |
| Benefits Payable | | | | | | |
| Pensions | (27,986) | | (27,986) | (25,710) | | (25,710) |
| Commutations & Lump Sum Retirement Benefits | (8,106) | | (8,106) | (8,364) | | (8,364) |
| Lump Sum Death Benefit | (75) | | (75) | 0 | | 0 |
| Payments to and on account of leavers | | | | | | |
| Refund of Contributions | 0 | (5) | (5) | | (12) | (12) |
| Transfers out to other pension bodies | (60) | | (60) | (425) | | (425) |
| **Net amount payable for the year** | **(18,678)** | **3,751** | **(14,927)** | **(17,632)** | **3,246** | **(14,386)** |
| **Additional Contributions from the PCC** (see 'Other Operating Expenditure' within CIES on page 31) | | | **14,927** | | | **14,386** |
| **Net balance for the year** | | | **0** | | | **0** |

**Pension Fund Net Assets Statement at 31 March 2013**

| NET ASSETS STATEMENT | 2012-2013 £000 | 2011-2012 £000 |
|---|---|---|
| **Current Assets** | | |
| Contributions due from the PCC | 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 PCC, Authority or Public Body, where the Agent is reimbursed for the cost of the work done.

ASSET

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

BUDGET

The statement of the PCC'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 PCC 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 PCC 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 PCC’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 PCC 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.

MERGER ACCOUNTING
A method of presenting the accounts following the combination of two or more entities through a purchase acquisition or a pooling of interests.

MINIMUM REVENUE PROVISION (MRP)

The minimum sum which must be charged to the PCC'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 PCC and the services it provides for a period of more than one year.

OUTTURN

The actual amount spent in the financial year.

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.

REVENUE SUPPORT GRANT (RSG)

Revenue Support Grant is paid by Central Government to the PCC in respect of general expenditure.

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 PCC is recoverable.