

# Chief Constable

## Statement of Accounts 2013-2014

Our Financial Performance



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

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## EXPLANATORY FOREWORD

### Introduction

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

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

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

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

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

The Revenue Budget and Capital Programme for 2013-2014 were approved by the PCC in February 2013. Stephen Bett was elected as the Norfolk Police and Crime Commissioner (PCC) and is responsible for managing the Revenue Budget and Capital Programme for 2013-2014. The responsibilities of the PCC, determined by the Police Reform and Social Responsibility Act 2011, include:

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

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

All the financial transactions incurred during 2013-2014 for the policing of Norfolk have been recognised and recorded within the PCC Group Statement of Accounts, which sets out the overall financial position for the year ending 31 March 2014.

The foreword provides an overview of the new accounting arrangements and outlines the financial performance during 2013-2014.

The Statement of Accounts for the CC for the 2013-2014 financial year are set out on the following pages. Information on the accounts is presented as simply and clearly as possible. However, due to the technical nature of the accounts, an explanation of the use of accounting terms is provided at the end of this document.

### **Accounting changes and the impact on the Financial Statements of the PCC and Chief Constable**

For 2012-2013 the presentation of the accounts was based on a principal and agent accounting arrangement with the Police and Crime Commissioner (PCC) being the principal and the Chief Constable the agent. This was due essentially to the judgement that the PCC had high level control of policing through his Police and Crime Plan objectives. This meant that a full set of statements and notes, and all transactions and balances of the PCC group were represented in the PCC accounts and the primary statements of the Chief Constable did not contain any transactions or underlying accounting entries, and limited notes were produced.

Following greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance, the presentation of the accounts is different this year from last year. The PCC and Chief Constable are both considered principals and therefore both corporation sole should have a full set of statements.

This has resulted in a change of accounting policy and therefore requires a prior period adjustment being made to the 2012-2013 figures to represent the above position. The prior period adjustment impacts on all the main statements.

This position is more fully explained below.

The International Accounting Standards Board framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' economic benefits associated with the item will flow to, or from the entity. At the outset the PCC took responsibility for the finances of the whole Group and controls the assets, liabilities and reserves, which were transferred from the previous Police Authority. With the exception of the liabilities for employment and post-employment benefits, referred to earlier, this position has not changed and would suggest that these balances should be shown on the PCC's Balance Sheet.

The Scheme of Governance and Consent sets out the roles and responsibilities of the Police and Crime Commissioner and the Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents all contracts and bank accounts are in the name of the PCC. No consent has been granted to the CC to open bank accounts or hold cash or associated working capital assets or liabilities.

This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

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

Therefore, the Chief Constable fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the PCC. The Chief Constable ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over the force's police officers, police community support officers (PCSOs) and police staff. It is recognised that in exercising day-to-day direction and control the Chief Constable will undertake activities, incur expenditure and generate income to allow the police force to operate effectively. It is appropriate that a distinction is made between the financial impact of this day-to-day direction and control of the force and the overarching strategic control exercised by the PCC.

Therefore it is felt that the expenditure and income associated with day-to-day direction and control and the PCC's funding to support the Chief Constable is best shown in the Chief Constable's Accounts, with the main sources of funding (i.e. central government grants and Council Tax) and the vast majority of balances being shown in the PCC's Accounts.

In particular, it should be noted that it has been decided to recognise transactions in the Chief Constable's Comprehensive Income and Expenditure Statement (CIES) in respect of operational policing, police officer and staff costs, and associated operational income, and transfer liabilities to the Chief Constable's Balance Sheet for employment and post-employment benefits in accordance with International Accounting Standard 19 (IAS19).

The rationale behind transferring the liability for employment benefits is that IAS19 states that the employment liabilities should follow employment costs. Because employment costs are shown in the Chief Constable's CIES, on the grounds that the Chief Constable is exercising day-to-day direction and control over police officers and police staff, it follows that the employment liabilities are therefore shown in the Chief Constable's Balance Sheet.

## The Main Accounting Statements

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

The accounts also reflect the following frameworks and regulations:

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

The Accounts of the Chief Constable for Norfolk for 2013-2014, which will be the basis for the Audit Opinion, are set out on Pages ii to 55 and consist of;

- **Explanatory Forward**  
This provides an overview of the accounting arrangements 2013-2014.
- **Financial Review**  
This outlines the revenue spending in 2013-2014, major changes to the Accounts from 2012-2013 and future prospects for the CC.
- **Audit Opinion**  
The statutory opinion for the Statement of Accounts.
- **Statement of Responsibilities**  
This includes the financial responsibilities of the CC and the Chief Finance Officer (CFO) to the CC.

The Accounting Statements consist of:

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

- **The Comprehensive Income and Expenditure Statement**

This statement recognises the financial resources belonging to the PCC consumed at the request of the CC in exercising day to day direction and control of the police force for the financial year, as opposed to the overall cost of policing as shown in the PCC and Group Accounts. The CC's Comprehensive Income and Expenditure Statement has been prepared using the principles set out in the Code of the Cost of Services level and using headings from CIPFA Service Reporting Code of Practice (SerCOP), which describes the areas of policing undertaken during 2013-2014.

- **The Balance Sheet**

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

- **The Cash Flow Statement**

This shows the changes in cash and cash equivalents during the reporting period. The statement shows how the CC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, during 2013-2014 all cash is held by the PCC for Norfolk so the cash flow statement for the CC shows the net deficit on the provision of services as non-cash movements.

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

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

- **Police Pension Fund Supplementary Statement**

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

**FINANCIAL REVIEW****Revenue Budget and Spending**

The total 2013-2014 Revenue Budget allocated to the CC for operational policing and support functions was £145.305 million; actual expenditure amounted to £145.361 million. The £0.056 million overspend was transferred from the PCC's earmarked reserves. The breakdown of expenditure is detailed below:

	<b>Final Revised Budget £000</b>	<b>Outturn £000</b>
Joint Collaborative Units	51,398	50,380
Command & Support	78,848	79,692
Departments	9,472	9,982
Corporate	5,587	5,307
Net Expenditure on Police Services	145,305	145,361
Net Budget Increase		(56)
	145,305	145,305



Actual income and expenditure for 2013-2014, summarised by the principal Service Departments recorded in the budget reports for each year, are shown in the table below;

<b>Income and Expenditure 2013-2014</b>	<b>Joint Collaborative Units £000</b>	<b>Commands &amp; Support £000</b>	<b>Departments £000</b>	<b>Corporate £000</b>	<b>Total £000</b>
Fees, charges and other service income	(688)	(2,787)	(396)	(2,185)	<b>(6,056)</b>
Government grants	(41)	(322)	(13)	(10,298)	<b>(10,674)</b>
Other grants & contributions	0	(549)	(19)	0	<b>(568)</b>
<b>Total Income</b>	<b>(729)</b>	<b>(3,658)</b>	<b>(428)</b>	<b>(12,483)</b>	<b>(17,298)</b>
Employee expenses	39,496	78,828	3,265	4,928	<b>126,517</b>
Other service expenses	11,613	4,522	7,145	12,862	<b>36,142</b>
<b>Total Expenditure</b>	<b>51,109</b>	<b>83,350</b>	<b>10,410</b>	<b>17,790</b>	<b>162,659</b>
<b>Net Expenditure</b>	<b>50,380</b>	<b>79,692</b>	<b>9,982</b>	<b>5,307</b>	<b>145,361</b>

The difference between the outturn figure of £145.361m and the Cost of Policing within the Comprehensive Income and Expenditure Statement of £160.370m is £15.009m which is made up of the following transactions;

	<b>£000</b>
<b>PCC/CC movements between outturn and CIES</b>	3,035
<b>Financing and Investment Income &amp; Expenditure</b>	
Pension Interest Cost and Expected Return on Pension Assets	58,067
<b>(Surplus) or Deficit on the Provision of Services</b>	
Movement on the General Fund Balance	(76,111)
<b>Total Difference</b>	<b>(15,009)</b>

## Reserves

The reserves as at 31st March 2014 comprise of unusable Reserves of £0.473m and a Pension Reserve liability of £1,295.406m. These are shown in the balance sheet on page 5, in the movement in reserves statement on pages 1 and 2 and the related note 11 on pages 24 to 26.

## Accounting Policies

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

The CC has prepared the financial statements for 2013-2014 in accordance with IFRS.

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

## Pensions Deficit

The accounts reflect the underlying commitment that the CC has to pay future retirement benefits for employees, as required by IAS19. As a result, the estimated pension liability, measured on an actuarial basis, is included in the Balance Sheet, effectively reducing the stated Net Worth of the CC by £1,295.406m.

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.

## Annual Governance Statement

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

## Value for Money (VFM)

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

- The process for allocating resources against desired outcomes is transparent and based on clear, quantified evidence.

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

### **Further Information**

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

Further information may be obtained from the Chief Finance Officer, at The Office of the Chief Constable for Norfolk, Building 9, Jubilee House, Falconers Chase, Wymondham, NR18 0WW.

## INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORFOLK

### Opinion on the Chief Constable for Norfolk financial statements

We have audited the financial statements of the Chief Constable of Norfolk for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Chief Constable of Norfolk Movement in Reserves Statement, the Chief Constable of Norfolk Comprehensive Income and Expenditure Statement, the Chief Constable of Norfolk Balance Sheet, the Chief Constable of Norfolk Cash Flow Statement, the related notes 1 to 22 and the Chief Constable for Norfolk Pension Fund Account Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Chief Constable of Norfolk in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Norfolk, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page xv, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Norfolk circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2013/14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Norfolk as at 31 March 2014 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2013/14 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 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Chief Constable to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

#### ***Respective responsibilities of the Chief Constable and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, *the Chief Constable of Norfolk* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

**Certificate**

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

Neil A Harris  
Audit Director

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

September 2014

## **STATEMENT OF RESPONSIBILITIES**

### **The Chief Constables Responsibilities**

The Chief Constable 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

Date: 29<sup>th</sup> September 2014

Signature:  
Simon Bailey  
Chief Constable

## **The Chief Finance Officer's Responsibilities**

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

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts present a true and fair view of the financial position of the Chief Constable at the accounting date and of the income and expenditure for the year ended 31 March 2014.

Date: 29<sup>th</sup> September 2014

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



**MOVEMENT IN RESERVES STATEMENT**

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

	<b>2012-2013 Restated</b>		
	<b>General Fund Balance £000</b>	<b>Total Unusable Reserves £000</b>	<b>Total Reserves £000</b>
<b>Balance at 31 March 2012</b>	<b>0</b>	<b>(1,133,294)</b>	<b>(1,133,294)</b>
Surplus or (Deficit) on Provision of Services	(65,303)	0	<b>(65,303)</b>
Other Comprehensive Expenditure and Income		(134,237)	<b>(134,237)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(65,303)</b>	<b>(134,237)</b>	<b>(199,540)</b>
Adjustments between accounting basis & funding basis under regulations	65,303	(65,303)	<b>0</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>0</b>	<b>(199,540)</b>	<b>(199,540)</b>
Transfers to / from Reserves	0	0	<b>0</b>
<b>Increase / Decrease in Year</b>	<b>0</b>	<b>(199,540)</b>	<b>(199,540)</b>
<b>Balance at 31 March 2013</b>	<b>0</b>	<b>(1,332,834)</b>	<b>(1,332,834)</b>

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

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

Comprehensive Income and Expenditure Account	Current Year Year ending 31 March 2014			Restated Year ending 31 March 2013		
	Gross Expenditure £ 000	Gross Income £ 000	Net Expenditure £ 000	Gross Expenditure £ 000	Gross Income £ 000	Net Expenditure £ 000
	Local Policing	78,213	(1,063)	77,150	73,325	(5,230)
Dealing with the Public	11,749	(128)	11,621	11,520	(116)	11,404
Criminal Justice Arrangements	17,602	(1,261)	16,341	16,328	(1,226)	15,102
Road Policing	10,637	(1,897)	8,740	9,604	(1,815)	7,789
Special Operations	4,925	(437)	4,488	4,589	(174)	4,415
Intelligence	6,085	(70)	6,015	5,967	(281)	5,686
Special Investigations	32,471	(574)	31,897	30,120	(837)	29,283
Investigative Support	3,800	(20)	3,780	3,707	(18)	3,689
National Policing	3,914	(3,845)	69	3,473	(3,697)	(224)
Corporate and Democratic Core	268	1	269	290	0	290
<b>Cost of Policing Services</b>	<b>169,664</b>	<b>(9,294)</b>	<b>160,370</b>	<b>158,923</b>	<b>(13,394)</b>	<b>145,529</b>
<b>Intra Group Adjustment</b>			<b>(142,326)</b>			<b>(136,000)</b>
<b>Net Cost of Policing</b>			<b>18,044</b>			<b>9,529</b>

Comprehensive Income and Expenditure Account (continued)	Current Year Year ending 31 March 2014			Previous Year Restated Year ending 31 March 2013		
	Gross Expenditure £ 000	Gross Income £ 000	Net Expenditure £ 000	Gross Expenditure £ 000	Gross Income £ 000	Net Expenditure £ 000
<b>Financing and Investment Income &amp; Expenditure</b>						
Pensions interest cost and expected return on pensions assets	63,637	(5,570)	58,067	60,881	(5,107)	55,774
Interest and Investment Income		0	0		0	0
	<b>63,637</b>	<b>(5,570)</b>	<b>58,067</b>	<b>60,881</b>	<b>(5,107)</b>	<b>55,774</b>
<b>(Surplus) or Deficit on the Provision of Services</b>			<b>76,111</b>			<b>65,303</b>
Remeasurements of the net defined benefit liability/(asset)			(113,066)			134,237
<b>Other Comprehensive Income and Expenditure</b>			<b>(113,066)</b>			<b>134,237</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(36,955)</b>			<b>199,540</b>

**BALANCE SHEET**

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

<b>Balance Sheet</b>	<b>Financial Statements Note/Page No.</b>	<b>31 March 2014 £000</b>	<b>Restated 31 March 2013 £000</b>
<b>Current Liabilities</b>			
Short Term Creditors	9 / 23	(473)	(515)
<b>Long Term Liabilities</b>			
Liability Related to Defined Benefit	11 / 24 to 26	(1,295,406)	(1,332,319)
<b>Net Assets</b>		<b>(1,295,879)</b>	<b>(1,332,834)</b>
<b>Financed By:</b>			
<b>Unusable Reserves</b>			
Accumulated Absences Account	11 / 24 & 25	(473)	(515)
Pension Reserve	11 / 24 to 26	(1,295,406)	(1,332,319)
<b>Total Reserves</b>		<b>(1,295,879)</b>	<b>(1,332,834)</b>

John Hummersone CPFA  
Chief Finance Officer for the Chief Constable for Norfolk  
29<sup>th</sup> September 2014

**CASH FLOW STATEMENT**

The Cash Flow Statement shows the changes in cash and cash equivalents of the CC during the reporting period. The statement shows how the CC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, during 2013-2014 all cash is held by the PCC for Norfolk so the cash flow statement for the CC shows the net deficit on the provision of services as non-cash movements.

<b>Cash Flow Statement</b>	<b>Financial Statements Note/Page No.</b>	<b>31 March 2014 £000</b>	<b>Restated 31 March 2013 £000</b>
Net (surplus) or deficit on the provision of services		76,111	65,303
Adjustments to net surplus or deficit on the provision of services for non cash movements	<b>12 / 26</b>	(76,111)	(65,303)
Net Cash Inflows from Operating Activities		0	0
Investing Activities		0	0
Financing Activities		0	0
<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>0</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### A. GENERAL PRINCIPLES

The Statement of Accounts summarises the CC's transactions for the 2013-2014 financial year and the position at the year-end of 31<sup>st</sup> March 2014. The accounting policies are the specific principle, bases, conventions, rules and practices applied by the CC when preparing and presenting the financial statements.

The CC is required to prepare the annual Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-2014 issued by the Chartered Institute of Public Finance and Accounting (CIPFA), the Accounts and Audit Regulations 2003 and the Service Reporting Code of Practice 2013-2014.

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

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

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

#### B. COST RECOGNITION AND INTRA-GROUP ADJUSTMENT

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



**C. ACCRUALS OF INCOME AND EXPENDITURE**

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

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

**D. EXCEPTIONAL ITEMS**

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

**E. 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 CC 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.

Following greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance, the presentation of the accounts is different this year from last year. The PCC and Chief Constable are both considered principals and therefore both corporations sole should have a full set of statements.

This has resulted in a change of accounting policy and therefore requires a prior period adjustment being made to the 2012-2013 figures to represent the above position. The prior period adjustment impacts on all the main statements and disclosures within this set of accounts.

## **F. EMPLOYEE BENEFITS**

### Benefits Payable during Employment

Short-term employee benefits are those that fall due wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the CC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which the employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The accumulated cost is carried to the CC's Balance Sheet where it is held as a liability and matched with an unusable reserve.

### Termination benefits

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

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

### Post-Employment Benefits

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

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

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

### The Local Government Pension Scheme

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

- The liabilities of the Norfolk Pension Fund attributable to the CC are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Norfolk Pension Fund attributable to the CC are included in Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailments whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the CC – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Norfolk Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the CC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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.

The amounts attributable, as advised by the actuary, have been apportioned between the PCC and CC on the basis of the employer’s pension contributions paid by each party. The contributions for the CC equate to 99% of the total employers contributions. There are no employees with long service in the PCC’s office which would skew the apportionment.

#### Police Officer Pension Scheme

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

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

This account is balanced at the 31 March and any shortfall is paid by the Home Office. Details of the Police Pension Fund Account are shown on page 53 to 55.

#### Discretionary Benefits

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

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

### **G. 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.

### **H. FOREIGN CURRENCY TRANSLATION**

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

### **I. JOINTLY CONTROLLED OPERATIONS**

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

**J. 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 2013-2014* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

**K. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the CC is deemed to control the services the amounts payable each year to the PFI operators for the fair value of the services received during the year and the lifecycle replacement costs are debited to the relevant service in the CC's Comprehensive Income and Expenditure Statement for the following PFI contracts

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

**L. RESERVES**

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

**M. VALUE ADDED TAX (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. All VAT was recoverable during 2013-2014.

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 which under legislation is not reclaimable. There was irrecoverable VAT for 2012-2013 of £45,300 for the long term hire of vehicles. The relevant legislation was changed during 2013-2014 and this irrecoverable VAT has since been repaid.

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

For 2012-2013 the presentation of the accounts was based on a principal and agent accounting arrangement with the Police and Crime Commissioner being the principal and the Chief Constable the agent. This was due essentially to the judgement that the PCC had high level control of policing through his Police and Crime Plan objectives. This meant that a full set of statements and notes, and all transactions and balances of the PCC group were represented in the PCC accounts and the primary statements of the Chief Constable did not contain any transactions or underlying accounting entries, and limited notes were produced.

When the accounts were prepared for 2012/13 Chief Constables did not have the same statutory ability as local authorities to override specific accounting treatments so that these would not adversely affect the taxpayer. The recent Police Reform and Social Responsibility Act 2011(transitional provision) Order 2013 modified the existing statute to allow Chief Constables to be treated as if they were a local authority and therefore have these override powers that are presented in the MIRS.

Following greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance, the presentation of the accounts is different this year from last year. The PCC and Chief Constable are both considered principals and therefore both corporation sole should have a full set of statements.

This has resulted in a change of accounting policy and therefore requires a prior period adjustment being made to the 2012-2013 figures to represent the above position. The following tables explain the material differences between the amounts presented in the 2012-2013 financial statements and the equivalent amounts presented in the 2013-2014 financial statements.

### **Balance Sheet**

The following tables restate the CC balance sheet;

### **Accumulated Absences Account**

Accumulated absences refers to the benefits that employees receive as part of their contract of employment, entitlement which is built up as they provide services. The transfer from the Group/PCC to the CC has resulted in the following changes being made to the 2012-2013 financial statements.

<b>Opening 1 April 2012 Balance Sheet</b>	<b>Balance Sheet Page / sub heading</b>	<b>2012-2013 Statements CC Accounts £000</b>	<b>Adjustments Made to CC Accounts £000</b>	<b>Restated Opening Balance of CC Accounts £000</b>
Short term Creditors	5 / Current Liabilities	0	(535)	(535)
Accumulated Absences Account	5 / Unusable Reserves	0	535	535

<b>31 March 2013 Balance Sheet</b>	<b>Balance Sheet Page / sub heading</b>	<b>2012-2013 Statements CC Accounts £000</b>	<b>Adjustments Made to CC Accounts £000</b>	<b>Restated Closing Balance of CC Accounts £000</b>
Short term Creditors	5 / Current Liabilities	0	(515)	(515)
Accumulated Absences Account	5 / Unusable Reserves	0	515	515

### **Pension Reserve**

The long term pension liability and pension reserve has been apportioned between the PCC and CC's staff. The transfer from the Group/PCC to the CC has resulted in the following changes being made to the 2012-2013 financial statements.

<b>Opening 1 April 2012 Balance Sheet</b>	<b>Balance Sheet Page / sub heading</b>	<b>2012-2013 Statements CC Accounts £000</b>	<b>Adjustments Made to CC Accounts £000</b>	<b>Restated Opening Balance of CC Accounts £000</b>
Liability Related to Defined Benefit Pension Scheme	5 / Long Term Liabilities	0	(1,132,759)	(1,132,759)
Pension Reserve	5 / Unusable Reserves	0	1,132,759	1,132,759



<b>31 March 2013 Balance Sheet</b>	<b>Balance Sheet Page / sub heading</b>	<b>2012-2013 Statements CC Accounts £000</b>	<b>Adjustments Made to CC Accounts £000</b>	<b>Restated Closing Balance of CC Accounts £000</b>
Liability Related to Defined Benefit Pension Scheme	5 / Long Term Liabilities	0	(1,332,319)	(1,332,319)
Pension Reserve	5 / Unusable Reserves	0	1,332,319	1,332,319

### **Comprehensive Income and Expenditure Statement**

All operational income and expenditure which includes the salaries and pension contributions of police officers, PCSO's and CC's staff is now shown within the CC Comprehensive Income and Expenditure Statement. The movements in respect of this income and expenditure, accumulated absences and pension liability are shown in the table below.

Chief Constable - Comprehensive Income and Expenditure Account	Published Accounts 2012-2013			IAS19 2012-2013			Accumulated Absences 2012-2013			I&E (Other) 2012-2013			Restated CC Accounts 2012-2013		
	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	Gross Exp £ 000	Gross Income £ 000	Net Exp £ 000	Gross Exp £ 000	Gross Income £ 000	Net Exp £ 000
	<b>Police Services:</b>														
Local Policing	0	0	0	16,179	0	16,179	125	0	125	57,021	(5,230)	51,791	73,325	(5,230)	68,095
Dealing with the Public	0	0	0	1,748	0	1,748	206	0	206	9,566	(116)	9,450	11,520	(116)	11,404
Criminal Justice Arrangements	0	0	0	2,094	0	2,094	39	0	39	14,195	(1,226)	12,969	16,328	(1,226)	15,102
Road Policing	0	0	0	1,732	0	1,732	24	0	24	7,848	(1,815)	6,033	9,604	(1,815)	7,789
Special Operations	0	0	0	623	0	623	7	0	7	3,959	(174)	3,785	4,589	(174)	4,415
Intelligence	0	0	0	1,006	0	1,006	15	0	15	4,946	(281)	4,665	5,967	(281)	5,686
Special Investigations	0	0	0	5,911	0	5,911	80	0	80	24,129	(837)	23,292	30,120	(837)	29,283
Investigative Support	0	0	0	314	0	314	6	0	6	3,387	(18)	3,369	3,707	(18)	3,689
National Policing	0	0	0	442	0	442	12	0	12	3,019	(3,697)	(678)	3,473	(3,697)	(224)
Corporate and Democratic Core	0	0	0	74	0	74	1	0	1	215	0	215	290	0	290
<b>Net Cost of Policing Intra Group Adjustment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,123</b>	<b>0</b>	<b>30,123</b>	<b>515</b>	<b>0</b>	<b>515</b>	<b>128,285</b>	<b>(13,394)</b>	<b>114,891</b>	<b>158,923</b>	<b>(13,394)</b>	<b>145,529</b>
						<b>(30,123)</b>			<b>(515)</b>			<b>(105,362)</b>			<b>(136,000)</b>
<b>Net Cost of Policing</b>			<b>0</b>			<b>0</b>			<b>0</b>			<b>9,529</b>			<b>9,529</b>

Chief Constable - Comprehensive Income and Expenditure Account (Continued)	Published Accounts 2012-2013			IAS19 2012-2013			Accumulated Absences 2012-2013			I&E (Other) 2012-2013			Restated PCC Accounts 2012-2013		
	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	Gross Exp £ 000	Gross Income £ 000	Net Exp £ 000	Gross Exp £ 000	Gross Income £ 000	Net Exp £ 000
	<b>Financing and Investment Income</b>														
Pensions interest cost and expected Interest and Investment Income						55,774									55,774
<b>Financing and Investment Income</b>			<b>0</b>			<b>55,774</b>			<b>0</b>			<b>0</b>			<b>55,774</b>
<b>(Surplus) or Deficit on the Provision of Services</b>			<b>0</b>			<b>85,897</b>			<b>0</b>			<b>0</b>			<b>65,303</b>
Actuarial (gains) or losses on pension						134,237			0			0			134,237
<b>Other Comprehensive Income and</b>			<b>0</b>			<b>134,237</b>			<b>0</b>			<b>0</b>			<b>134,237</b>
<b>Total Comprehensive Income and</b>			<b>0</b>			<b>220,134</b>			<b>0</b>			<b>0</b>			<b>199,540</b>

### **Movement in Reserves Statement**

The balance as at 31 March 2012 on the restated table on page 1 is that which was transferred from the Group/PCC to the CC. Refer also to the balance sheet tables on pages 16 and 17 above.

### **Cash Flow**

The movements on the cash flow statement on page 6 are those which have been restated following the restatement of the CIES (see page 18 above).

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

In 2014-2015 adoption of the amendments to the following may be required to be reported;

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of Interests in Other entities
- IAS 27 Separate Financial Statements
- IAS 1 Presentation of Financial Statements

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 8 to 15, the Chief Constable has had to make the following judgements about complex transactions or those involving uncertainty about future events.

- Chief Constable having local authority status for statutory override –
  1. When the accounts were prepared for 2012/13 Chief Constables did not have the same statutory ability as local authorities to override specific accounting treatments so that these would not adversely affect the taxpayer.
  2. The recent Police Reform and Social Responsibility Act 2011(transitional provision) Order 2013 modified the existing statute to allow Chief Constables to be treated as if they were a local authority and therefore have these override powers that are presented in the MIRS.
  3. Also, as explained in the Explanatory Foreword and accounting policies, a prior period adjustment is required as a result of greater clarity of guidance around the accounting for PCCs and CCs in order to recognise transactions in the CC accounts.
  4. In order to make the information more comparable and meaningful for the readers of the accounts the critical judgement is to show the 2012/13 prior period adjustment as though the CC had the statutory override powers at that point.
- Asset Recognition
  1. Norfolk and Suffolk have a significant number of assets including those under Private Finance Initiatives (PFI) arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI), and the capital and financing costs of the provision of those assets in the PCC accounts.
  2. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the CC have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the CC accounts including the service charges element of the PFI.
- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 2014-2015 in regard of what the PCC will receive from the government and limitations around the precept. The PCC and Chief Constable are working together to mitigate the impact of the funding gap emerging over the period of the Medium Term Financial Plan, the impact of which will be realised in the budget set by the PCC.
- Costs of pension arrangements require estimates assessed by independent qualified actuary's regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.
- The amounts charged to the CC's balance sheet and CIES for the Local Government Pension Scheme have been apportioned on the basis of the employer's pension contributions paid by each party.

- The allocation of transactions and balances between the PCC and the Chief Constable, that has been set out in the foreword to these accounts, is a judgement as a result of greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance.
- 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.

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

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

The PCC receives all funding on behalf of the Group; at no time, under the current arrangements, does the Chief Constable hold any cash or usable reserves. However, it is felt that to accurately represent the substance of the financial impact of the day-to-day control exercised by the Chief Constable over policing it is necessary to capture the costs associated with this activity in the Chief Constable's CIES. A consequence of this is that the employment liabilities associated with police officers and police staff are also contained in the Chief Constable's CIES and the accumulative balances are held on the Chief Constable's Balance Sheet. All other assets and liabilities are held on the PCC's Balance Sheet.

Whilst no actual cash changes hands the PCC has undertaken to fund the resources consumed by the Chief Constable. The PCC effectively makes all payments from the Police Fund. To reflect this position in the Accounts funding from the PCC offsets cost of service expenditure contained in the Chief Constable's CIES. This intra-group adjustment is mirrored in the PCC's CIES. The financial impact associated with the costs of the employment liabilities is carried on the balance sheet in accordance with the Code and adds to the carrying value of the Pensions Liability and the Accumulated Absences Liability.

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

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

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

- LGPS and police pension actuarial assumptions - see note 20 and tables on pages 40 and 48.

## 7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30<sup>th</sup> June 2014. 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 CC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the CC to meet future revenue expenditure.

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

### General Fund Balance

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

<b>Usable Reserves 2013- 2014</b>	<b>General Fund Balance £000</b>	<b>Movement in Unusable Reserves £000</b>
<b><u>Adjustments primarily involving the Pensions Reserve:</u></b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	96,667	(96,667)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,514 )	20,514
<b><u>Adjustments primarily involving the Accumulated Absences Account:</u></b>		
Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(42)	42
<b>Total Adjustments</b>	<b>76,111</b>	<b>(76,111)</b>

<b>Comparative Usable Reserves 2012- 2013</b>	<b>Restated General Fund Balance £000</b>	<b>Restated Movement in Unusable Reserves £000</b>
<b><u>Adjustments primarily involving the Pensions Reserve:</u></b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	85,896	(85,896)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,573)	20,573
<b><u>Adjustments primarily involving the Accumulated Absences Account:</u></b>		
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
<b>Total Adjustments</b>	<b>65,303</b>	<b>(65,303)</b>

## 9. CREDITORS

The balance of Creditors is made up of the following elements which relates to the amount accrued at the end of the year in respect of accumulated absences. See also the Accumulated Absences Account Reserve at note 11 on page 24 and 25.

	<b>31 March 2014 £000</b>	<b>Restated 31 March 2013 £000</b>
<b>Current Creditors</b>		
Other Entities and Individuals	473	515
<b>Total Current Creditors</b>	<b>473</b>	<b>515</b>

**10. USABLE RESERVES**

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

**11. UNUSABLE RESERVES**

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

Unusable Reserves	31 March 2014 £000	Restated 31 March 2013 £000
Accumulated Absences Account	(473)	(515)
Pensions Reserve	(1,295,406)	(1,332,319)
<b>Total Unusable Reserves</b>	<b>(1,295,879)</b>	<b>(1,332,834)</b>

Accumulated Absences Account

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



Accumulated Absences Account	2013-2014 £000	Restated 2012-2013 £000
<b>Balance at 1 April</b>	<b>(515)</b>	<b>(535)</b>
Settlement or cancellation of accrual made at the end of the preceding year	515	535
Amounts accrued at the end of the current year	<u>(473)</u>	<u>(515)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	42	20
<b>Balance at 31 March</b>	<b>(473)</b>	<b>(515)</b>

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The CC accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns of any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the CC makes employer's contributions to pension funds or eventually pay for any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the CC has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	2013-2014 £000	Restated 2012-2013 £000
<b>Balance at 1 April</b>	<b>(1,332,319)</b>	<b>(1,132,759)</b>
Actuarial gains and (losses) on pension assets and liabilities	113,066	(134,237)
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	(96,667)	(85,896)
Employer's pension contributions and direct payments to pensioners payable in the year	20,514	20,573
<b>Balance at 31 March</b>	<b>(1,295,406)</b>	<b>(1,332,319)</b>

## 12. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

	2013-14		Restated 2012-13	
	£000	£000	£000	£000
<b>Adjustments for non cash or cash equivalent</b>				
Pension cost adjustment from IAS19	(76,153)		(65,323)	
(Increase) / decrease Creditors	42		20	
	<u>          </u>	<b>(76,111)</b>	<u>          </u>	<b>(65,303)</b>

### 13. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

<b>Income and Expenditure 2013-2014</b>	<b>Joint Collaborative Units £000</b>	<b>Commands &amp; Support £000</b>	<b>Departments £000</b>	<b>Corporate £000</b>	<b>Total £000</b>
Fees, charges and other service income	(688)	(2,787)	(396)	(2,185)	<b>(6,056)</b>
Government grants	(41)	(322)	(13)	(10,298)	<b>(10,674)</b>
Other grants & contributions	0	(549)	(19)	0	<b>(568)</b>
<b>Total Income</b>	<b>(729)</b>	<b>(3,658)</b>	<b>(428)</b>	<b>(12,483)</b>	<b>(17,298)</b>
Employee expenses	39,496	78,828	3,265	4,928	<b>126,517</b>
Other service expenses	11,613	4,522	7,145	12,862	<b>36,142</b>
<b>Total Expenditure</b>	<b>51,109</b>	<b>83,350</b>	<b>10,410</b>	<b>17,790</b>	<b>162,659</b>
<b>Net Expenditure</b>	<b>50,380</b>	<b>79,692</b>	<b>9,982</b>	<b>5,307</b>	<b>145,361</b>

During 2013-2014 further collaboration has taken place which has increased the Net Expenditure on Joint Collaborative Units from those of Commands & Support and Departments.

<b>Income and Expenditure 2012-2013 (comparator)</b>	<b>Joint Collaborative Units £000</b>	<b>Commands &amp; Support £000</b>	<b>Departments £000</b>	<b>Corporate £000</b>	<b>Total Restated £000</b>
Fees, charges and other service income	(283)	(3,180)	(625)	(2,129)	<b>(6,217)</b>
Government grants	0	(426)	(39)	(13,109)	<b>(13,574)</b>
Other grants & contributions	0	(614)	(36)	(113)	<b>(763)</b>
<b>Total Income</b>	<b>(283)</b>	<b>(4,220)</b>	<b>(700)</b>	<b>(15,351)</b>	<b>(20,554)</b>
Employee expenses	24,564	86,157	10,685	4,802	<b>126,208</b>
Other service expenses	2,911	5,058	12,976	13,845	<b>34,790</b>
<b>Total Expenditure</b>	<b>27,475</b>	<b>91,215</b>	<b>23,661</b>	<b>18,647</b>	<b>160,998</b>
<b>Net Expenditure</b>	<b>27,192</b>	<b>86,995</b>	<b>22,961</b>	<b>3,296</b>	<b>140,444</b>

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

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

	<b>2013-2014 £000</b>	<b>Restated 2012-2013 £000</b>
Net expenditure in the Analysis	145,361	140,444
Movement between PCC/CC outturn	(3,035)	(4,444)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	18,044	9,529
<b>Cost of Policing Services in Comprehensive Income and Expenditure Statement</b>	<b>160,370</b>	<b>145,529</b>

CC Reconciliation to Subjective Analysis

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

<b>2013-2014</b>	Reported to Management £000	Movements between PCC/CC £000	Restated Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	<b>Cost of Policing Services £000</b>	Corporate Amounts £000	<b>Total £000</b>
Fees, charges and other service income	(5,769)	236	(5,533)	0	0	<b>(5,533)</b>	0	<b>(5,533)</b>
Interest and investment income	(287)	287	0	0	0	<b>0</b>	0	<b>0</b>
Income from council tax	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Government grants and contributions	(11,242)	7,478	(3,764)	0	0	<b>(3,764)</b>	0	<b>(3,764)</b>
<b>Total Income</b>	<b>(17,298)</b>	<b>8,001</b>	<b>(9,297)</b>	<b>0</b>	<b>0</b>	<b>(9,297)</b>	<b>0</b>	<b>(9,297)</b>
Employee expenses	126,517	(343)	126,174	18,044	0	<b>144,218</b>	58,067	<b>202,285</b>
Other service expenses	35,377	(9,928)	25,449	0	0	<b>25,449</b>	0	<b>25,449</b>
Depreciation, amortisation and impairment	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Interest payments	765	(765)	0	0	0	<b>0</b>	0	<b>0</b>
Precepts and levies	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Gains and losses on Disposal of Property, I	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Total Expenditure</b>	<b>162,659</b>	<b>(11,036)</b>	<b>151,623</b>	<b>18,044</b>	<b>0</b>	<b>169,667</b>	<b>58,067</b>	<b>227,734</b>
<b>Intra Group Adjustment</b>							<b>(142,326)</b>	<b>(142,326)</b>
<b>Surplus or deficit on the provision of services</b>	<b>145,361</b>	<b>(3,035)</b>	<b>142,326</b>	<b>18,044</b>	<b>0</b>	<b>160,370</b>	<b>(84,259)</b>	<b>76,111</b>

<b>2012-2013 Comparator Restated</b>	Reported to Management £000	Movements between PCC/CC £000	Restated Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	<b>Cost of Policing Services £000</b>	Corporate Amounts £000	<b>Total Restated £000</b>
Fees, charges and other service income	(5,943)	232	(5,711)	0	0	<b>(5,711)</b>	0	<b>(5,711)</b>
Interest and investment income	(274)	274	0	0	0	<b>0</b>	0	<b>0</b>
Income from council tax	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Government grants and contributions	(14,337)	6,776	(7,561)	0	0	<b>(7,561)</b>	0	<b>(7,561)</b>
<b>Total Income</b>	<b>(20,554)</b>	<b>7,282</b>	<b>(13,272)</b>	<b>0</b>	<b>0</b>	<b>(13,272)</b>	<b>0</b>	<b>(13,272)</b>
Employee expenses	126,208	(263)	125,945	9,529	0	<b>135,474</b>	55,774	<b>191,248</b>
Other service expenses	34,016	(10,689)	23,327	0		<b>23,327</b>		<b>23,327</b>
Depreciation, amortisation and impairment	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Interest payments	774	(774)	0	0	0	<b>0</b>	0	<b>0</b>
Precepts and levies	0	0	0	0		<b>0</b>	0	<b>0</b>
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Total Expenditure</b>	<b>160,998</b>	<b>(11,726)</b>	<b>149,272</b>	<b>9,529</b>	<b>0</b>	<b>158,801</b>	<b>55,774</b>	<b>214,575</b>
<b>Intra Group Adjustment</b>							<b>(136,000)</b>	<b>(136,000)</b>
<b>Surplus or deficit on the provision of services</b>	<b>140,444</b>	<b>(4,444)</b>	<b>136,000</b>	<b>9,529</b>	<b>0</b>	<b>145,529</b>	<b>(80,226)</b>	<b>65,303</b>



**14. OFFICERS' REMUNERATION**

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

Postholder information	Year	Salary, Fees and Allces £	Bonuses £	Expense Allces £	Benefits in Kind £	Restated Total Excl. Pension Contribs £	Employer's Pension Contribs £	Restated Total Incl. Pension Contributions £
<b>Chief Constable S Bailey</b> - Appointed 10.06.13	2013-14	114,103	0	1207	2,493	<b>117,803</b>	26,814	<b>144,617</b>
<b>Chief Constable P Gormley</b> - Transferred 10.06.13	2013-14	35,014	0	441	781	<b>36,236</b>	6,312	<b>42,548</b>
	2012-13	168,804	0	2,295	58,038	<b>229,137</b>	32,844	<b>261,981</b>
<b>Deputy Chief Constable</b> - Appointed 10.06.13	2013-14	100,565	0	4,193	3,123	<b>107,881</b>	20,918	<b>128,799</b>
<b>Deputy Chief Constable</b> - Promoted 10.06.13	2013-14	26,607	0	286	592	<b>27,485</b>	5,208	<b>32,693</b>
	2012-13	138,438	0	1,489	3,884	<b>143,811</b>	27,097	<b>170,908</b>
<b>Assistant Chief Constable (1)</b> - Retired 19.08.12	2012-13	57,974	0	3,000	670	<b>61,644</b>	0	<b>61,644</b>
<b>Assistant Chief Constable (2)</b> - Promoted 10.06.13	2013-14	24,434	0	1,364	741	<b>26,539</b>	4,770	<b>31,309</b>
	2012-13	127,128	10,282	7,098	4,190	<b>148,698</b>	24,816	<b>173,514</b>
<b>Assistant Chief Constable (3)</b> Appointed 18.06.12	2013-14	106,948	0	0	2,876	<b>109,824</b>	22,821	<b>132,645</b>
	2012-13	100,264	0	200	4,439	<b>104,903</b>	17,835	<b>122,738</b>
<b>Assistant Chief Constable (4)</b>	2013-14	102,222	0	0	4,409	<b>106,631</b>	23,888	<b>130,519</b>
	2012-13	93,978	0	0	3,360	<b>97,338</b>	21,896	<b>119,234</b>
<b>Assistant Chief Constable (5)</b> - Appointed 10.06.13	2013-14	76,702	0	0	1,116	<b>77,818</b>	11,207	<b>89,025</b>
<b>Assistant Chief Officer Resources</b>	2013-14	106,467	0	6,739	0	<b>113,206</b>	17,461	<b>130,667</b>
	2012-13	105,563	0	6,724	0	<b>112,287</b>	17,270	<b>129,557</b>

The Assistant Chief Constable (in posts 2 and 3 from 10.06.2013) above has executive portfolio with Suffolk Constabulary under joint arrangements (see Note 22 on page 49). The full remuneration paid to these officers is shown above for which a recharge of 43.5% was made to Suffolk Constabulary for salary, expenses and pension contributions in 2013-2014. The amount recharged is £58,921 (£73,656 in 2012-2013).

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

<b>Remuneration band</b>	<b>2013-2014 Number of Employees</b>	<b>Restated 2012-2013 Number of Employees</b>
£50,000 - £54,999	7	8
£55,000 - £59,999	5	2
£60,000 - £64,999	0	0
£65,000 - £69,999	1	2
£70,000 - £74,999	0	0
£75,000 - £79,999	2	2
£80,000 - £84,999	3	2
£85,000 - £89,999	0	1
£90,000 - £94,999	2	2
£95,000 - £99,999	0	1
£100,000 - £104,999	0	1
£105,000 - £109,999	2	0
£110,000 - £114,999	1	1
£130,000 - £134,999	1	0
£140,000 - £144,999	0	1
£145,000 - £149,999	1	1
£225,000 - £229,999	0	1

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 20 on pages 40 to 48.

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

**15. EXTERNAL AUDIT COSTS**

The following costs were made in 2013-2014 by the external auditors Ernst and Young to carry out the audits on the Statement of Accounts for the CC.

	<b>Planned Fees 2013-2014 £</b>	<b>Restated Actual Fees 2012-2013 £</b>
<b>Fees payable with regard to external audit services carried out by the appointed auditor for the year;</b>		
Fees payable in respect of statutory inspections of the Financial Statements	20,000	20,000
<b>Total</b>	<b>20,000</b>	<b>20,000</b>

**16. GRANT INCOME**

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

<b>Grant Income</b>	<b>2013-2014 £000</b>	<b>Restated 2012-2013 £000</b>
<b>Credited to Services</b>		
Neighbourhood Policing Fund *	0	3,933
Single Counter Terrorism Grant	2,822	2,335
Partnership Funding	535	680
Criminal Records Bureau	310	373
Other smaller grants	65	157
Sponsorship and Donations	32	83
<b>Total</b>	<b>3,764</b>	<b>7,561</b>

\* included in main police grant from 2013-2014

## 17. RELATED PARTIES

The CC is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence or to be controlled or influenced by the CC. Disclosure of these transactions allows readers to assess the extent to which the CC might have been constrained in ability to operate independently or might have secured the ability to limit another party's ability to bargain freely.

### Central Government

Central Government has significant influence over the general operations of the CC. It is responsible for providing the statutory framework, within which the CC operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the CC has with other parties. Grants received from government departments are set out in the subjective analysis on pages viii and ix.

### Officers

The CC 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.

## 18. PRIVATE FINANCE INITIATIVES

### 1. Operations and Communications Centre at Wymondham

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

The actual level of payments is dependent on availability of the site and the provision and delivery of services within. The estimated cost covers the contract standard facilities management provision. The contract, which is for a period of 35 years starting from 2001, has an option at contract end date to purchase the property at open market value, or to negotiate with the PFI provider to extend the contract for up to a further 2 periods of 15 years, or of terminating the contract.

The PCC makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

The payment recognised in the CC accounts for the services element during 2013-2014 was £1.306m million (£1.272m in 2012-2013). Payments remaining to be made under the PFI contract for services at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Restated Payment of Services £000</b>
Payable in 2014-2015	1,336
Payable within 2 to 5 years	5,247
Payable within 6 to 10 years	7,214
Payable within 11 to 15 years	7,597
Payable within 16 to 20 years	8,295
Payable within 21 to 23 years	4,859
<b>Total</b>	<b>34,548</b>

## 2. Police Investigations Centres (PIC)

During the financial years 2010-2011 to 2040-2041 the Norfolk and Suffolk PCC's are committed to making payments under a contract with a consortium for the use of the 6 PICs. The actual level of payments will be dependent on availability of the site and provision and delivery of services within. The contract is for 30 years. At the end of this term the properties revert to the 2 Groups.

Norfolk and Suffolk PCC's have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the 6 properties located in the 2 Counties - this being Norfolk 58.2% and Suffolk 41.8%.

The PCC makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

The payment recognised in the CC accounts is for the services element which during 2013-2014 was £0.825m million (£0.432m in 2012-2013). 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;

	<b>Restated Payment of Services £000</b>
Payable in 2014-2015	1,257
Payable within 2 to 5 years	6,928
Payable within 6 to 10 years	9,368
Payable within 11 to 15 years	12,789
Payable within 16 to 20 years	13,847
Payable within 21 to 25 years	13,773
Payable within 26 to 27 years	8,167
<b>Total</b>	<b>66,129</b>

**19. TERMINATION BENEFITS**

The CC terminated the contracts of 11 employees in 2013-2014 (22 in 2012-2013), incurring liabilities of £197k (£206k in 2012-2013).

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

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

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

Exit Package cost band (including special payments)	Restated Number of Redundancies		Restated Number of other departures agreed		Restated Total number of exit packages by cost band		Restated Total cost of exit packages in each band	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
<b>£0 - £20,000</b>	7	20	0	1	7	21	53	146
<b>£20,001 - £40,000</b>	2	0	1	0	3	0	78	0
<b>£40,001- £60,000</b>	0	1	0	0	0	1	0	60
<b>£60,001- £80,000</b>	1	0	0	0	1	0	66	0
<b>Total</b>	<b>10</b>	<b>21</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>22</b>	<b>197</b>	<b>206</b>

## 20. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The principal schemes in operation are:

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

Further information is contained in the Fund's annual report and accounts, which is published by Norfolk Pension Fund or by visiting the Fund's website at [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org).

### Transactions Relating to Retirement Benefits

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



	Local Government Pension Scheme		Police Pension Scheme 2013-2014				Police Pension Scheme Restated 2012-2013			
	2013-2014	Restated 2012-2013	Old Scheme	Injury Award	New Scheme	Total	Old Scheme	Injury Award	New Scheme	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>										
Net Cost of Services:										
- Current service cost	7,134	5,469	23,940	1,160	6,320	31,420	20,070	970	3,480	24,520
- Past service cost	6	113	0	40	0	40	0	20	0	20
Financing and Investment Income and Expenditure										
- Net interest expense	2,277	1,684	50,910	2,630	2,250	55,790	49,890	2,540	1,660	54,090
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service</b>	<b>9,417</b>	<b>7,266</b>	<b>74,850</b>	<b>3,830</b>	<b>8,570</b>	<b>87,250</b>	<b>69,960</b>	<b>3,530</b>	<b>5,140</b>	<b>78,630</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement										
Return on plan assets (excluding the amount included in the net interest expense)	(1,835)	(9,083)	0	0	0	0	0	0	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	4,555	0	(300)	50	(80)	(330)	(230)	0	0	(230)
- Actuarial gains and losses arising on changes in financial assumptions	(16,361)	22,319	(35,690)	(1,290)	(3,460)	(40,440)	177,450	6,270	6,920	190,640
- Other	4,291	(155)	(42,678)	(23,080)	2,812	(62,946)	(74,105)	570	4,282	(69,253)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>67</b>	<b>20,347</b>	<b>(3,818)</b>	<b>(20,490)</b>	<b>7,842</b>	<b>(16,466)</b>	<b>173,075</b>	<b>10,370</b>	<b>16,342</b>	<b>199,787</b>
Movement in Reserves Statement										
- Reversal of net charges made to the Surplus or deficit for the Provision of Services for post employment benefits in accordance with the code	(9,417)	(7,266)	(74,850)	(3,830)	(8,570)	(87,250)	(69,960)	(3,530)	(5,140)	(78,630)
Actual amount charged against the General Fund Balance for pensions in the year:										
- Employers' contributions payable to scheme	5,440	5,126								
- Retirement benefits payable to pensioners			11,222	1,240	2,612	15,074	11,965	1,210	2,272	15,447

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Police Pension Scheme	
	Restated		Restated	
	2013-2014	2012-2013	2013-2014	2012-2013
	£000	£000	£000	£000
Present value of defined benefit obligation	(178,812)	(172,613)	(1,250,700)	(1,282,240)
Fair value of plan assets	134,106	122,534	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(44,706)</b>	<b>(50,079)</b>	<b>(1,250,700)</b>	<b>(1,282,240)</b>

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

	Funded Assets		Unfunded Assets	
	Local Government Pension Scheme		Police Pension Scheme	
	Restated		Restated	
	2013-2014	2012-2013	2013-2014	2012-2013
	£000	£000	£000	£000
Opening fair value of scheme assets	122,534	104,496	0	0
Interest income	5,570	5,107		
Remeasurement gain/(loss):				
- the return on plan Assets, excluding the amount included in the net interest expense	1,835	9,083	0	0
- other			14,406	15,373
The effect of changes in foreign exchange rates				
Contributions from employer	5,440	5,126	15,074	15,447
Contributions from employees into the scheme	2,028	2,011	7,250	6,630
Benefits paid	(3,301)	(3,290)	(36,730)	(37,450)
<b>Closing fair value of scheme assets</b>	<b>134,106</b>	<b>122,534</b>	<b>0</b>	<b>0</b>

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Police Pension Scheme	
	2013-2014 £000	Restated 2012-2013 £000	2013-2014 £000	Restated 2012-2013 £000
Opening balance at 1 April	(172,613)	(139,355)	(1,282,240)	(1,097,900)
Current service costs	(7,134)	(5,470)	(31,420)	(24,520)
Interest cost	(7,847)	(6,791)	(55,790)	(54,090)
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	(4,555)	0	330	230
- Actuarial gains/losses arising from changes in financial assumptions	16,361	(22,319)	40,440	(190,640)
- Other	(4,291)	155	48,540	53,880
Past service cost	(6)	(113)	(40)	(20)
Losses/(gains) on curtailment (where relevant)				
Liabilities assumed on entity combinations	(2,028)	(2,011)	(7,250)	(6,630)
Benefits paid	3,301	3,290	36,730	37,450
Liabilities extinguished on settlements (where relevant)				
<b>Closing fair value of scheme assets</b>	<b>(178,812)</b>	<b>(172,613)</b>	<b>(1,250,700)</b>	<b>(1,282,240)</b>

Total of assets and liabilities of the schemes

	Local Government Pension Scheme		Police Pension Scheme	
	2013-2014	Restated 2012-2013	2013-2014	Restated 2012-2013
	£000	£000	£000	£000
Opening balance at 1 April	(50,079)	(34,859)	(1,282,240)	(1,097,900)
Current service costs	(7,134)	(5,470)	(31,420)	(24,520)
Interest cost	(2,277)	(1,684)	(55,790)	(54,090)
Remeasurement (gains) and losses:				
- the return on plan Assets, excluding the amount included in the net interest expense	1,835	9,083	0	0
- Actuarial gains/losses arising from changes in demographic assumptions	(4,555)	0	330	230
- Actuarial gains/losses arising from changes in financial assumptions	16,361	(22,319)	40,440	(190,640)
- Other	(4,291)	155	62,946	69,253
Past service cost	(6)	(113)	(40)	(20)
Contributions from employer	5,440	5,126	15,074	15,447
<b>Closing fair value of scheme assets</b>	<b>(44,706)</b>	<b>(50,079)</b>	<b>(1,250,700)</b>	<b>(1,282,240)</b>

Local Government Pension Scheme assets comprised:

	<b>2013-2014 £000</b>	<b>Restated 2012-2013 £000</b>
Cash and cash equivalents	<b>3,476</b>	<b>2,673</b>
Equity instruments - by industry type:		
- Consumer	8,236	7,520
- Manufacturing	7,553	5,942
- Energy and utilities	4,214	4,378
- Financial institutions	8,443	7,665
- Health and care	3,852	3,263
- Information technology	2,424	2,356
- Other	6,019	5,993
<b>Sub total equity</b>	<b>40,742</b>	<b>37,116</b>
Bonds - by sector:		
- Corporate	5,665	5,562
- Other	478	374
<b>Sub total bonds</b>	<b>6,144</b>	<b>5,936</b>
Property - by type:		
- UK Property	13,508	11,772
- Overseas Property	2,010	2,017
<b>Sub total property</b>	<b>15,519</b>	<b>13,789</b>
Private equity - all:	<b>9,326</b>	<b>9,054</b>
Other investment funds:		
- Equities	39,207	37,227
- Bonds	21,086	18,084
<b>Sub total other investment funds</b>	<b>60,294</b>	<b>55,311</b>
Derivatives:	<b>59</b>	<b>(82)</b>
<b>Total Assets</b>	<b>135,558</b>	<b>123,797</b>

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

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 47.

The principal assumptions used by the actuaries have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2013-2014	Restated 2012-2013	2013-2014	Restated 2012-2013
Mortality assumptions:				
Longevity of 65 for current pensioners:				
Men	22.1	21.2	23.4	23.4
Women	24.3	23.4	25.9	25.8
Longevity of 65 for future pensioners:				
Men	24.5	23.6	25.6	25.7
Women	26.9	25.8	28.0	27.9
Rate of Inflation	2.8%	3.6%	2.8%	3.6%
Rate of increase in salaries	3.6%	5.1%	4.5%	4.8%
Rate of increase in pensions	2.8%	2.8%	2.5%	2.5%
Rate of discounting scheme liabilities	4.3%	4.5%	4.4%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions of longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Local Government Pension Scheme		Police Pension Scheme Old Scheme		Police Pension Scheme New Scheme	
	Approximate % increase to Employers Liability £000	Approximate monetary amount £000	Approximate % increase to Employers Liability £000	Approximate monetary amount £000	Approximate % increase to Employers Liability £000	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	12%	20,956	11.0%	129,000	19.3%	8,300
1 year increase in member life expectancy	3%	5,334	1.9%	22,000	1.4%	600
0.5% increase in the Salary Increase Rate	5%	8,574	2.2%	26,000	10.4%	4,500
0.5% increase in the Pension Increase Rate	7%	12,065	8.8%	103,000	8.9%	3,800

The liabilities show the underlying commitments that the CC has in the long run to pay post-employment (retirement) benefits. The total liability of £1,295.406m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a negative overall balance of £1,295.879m.

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

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

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

Impact on the CC's cash flow

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. In September 2010 the Local Government Pensions Fund Committee approved an employer contribution rate stabilisation mechanism which limits annual charges in the employer contribution rate payable to +/- 0.5% of pensionable pay. Following the triennial valuation of the pension fund as at 31 March 2010 by the Actuary, the expression of deficit recovery was changed from a percentage of the payroll to an annual amount due with effect from 1 April 2011. Deficit recovery contributions are expressed as an annual amount due (payable in twelve monthly instalments with the contribution pay over). The service contribution rate and annual deficit payment for the last 3 years along with the contribution rate for the next 3 years following the Triennial Valuation as at 31 March 2013 are shown in the following table.;

	Future Service Contribution Rate %	Annual Deficit Recovery Contribution £000
1 April 2011 to 31 March 2012	13%	953
1 April 2012 to 31 March 2013	13%	1,128
1 April 2013 to 31 March 2014	13%	1,307
1 April 2014 to 31 March 2015	13%	1,553
1 April 2015 to 31 March 2016	13%	1,806
1 April 2016 to 31 March 2017	13%	2,128

**21. PARTNERS AGAINST CRIME TASKFORCE (PACT)**

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

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

The CC (and previously Norfolk Police Authority) has supported PACT since its inception and from 2006-2007 by employing a police staff member and providing office accommodation at the OCC in Wymondham. The CC has agreed to fund this post in order to offer an opportunity to enhance influence and delivery of problem solving community priorities. The cost in 2013-2014 was £33,916 (£33,815 in 2012-2013).



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

The CC has collaborative agreements with Suffolk PCC and Constabulary which are classed as 'Joint Ventures'.

In 2013-2014 the collaborative agreements with Suffolk increased to include the following,

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

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

The following details the joint expenditure;

	2013-2014				2012-2013 Restated			
	Protective Services £000	Justice Services £000	Business Support £000	Total £000	Protective Services £000	Justice Services £000	Business Support £000	Total £000
<b>Norfolk</b>	20,088	9,933	20,359	<b>50,380</b>	11,559	8,664	6,968	<b>27,191</b>
<b>Suffolk</b>	15,466	7,648	15,674	<b>38,788</b>	8,899	6,671	5,365	<b>20,935</b>
<b>Total</b>	<b>35,554</b>	<b>17,581</b>	<b>36,033</b>	<b>89,168</b>	<b>20,458</b>	<b>15,335</b>	<b>12,333</b>	<b>48,126</b>

### **ERSOU Joint Arrangements –**

The Eastern Region Special Operations Unit (ERSOU) was established in 2010-2011 and is a joint unit consisting of the six eastern region police forces: Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk. The unit provides a single serious and organised crime unit across the region.

2013-2014 saw the expansion of ERSOU to include new and brigaded core capabilities, namely the Creedon 12 and a corresponding uplift of Home Office grant funding of £0.755m. It is anticipated that the full implementation of all capabilities will be complete by mid to late 2014-2015.

During 2013-2014 Hertfordshire had lead force responsibility, with all transactions for the unit being recorded through the Hertfordshire ledger. Similarly, legal title to all vehicles, equipment and premises used by the unit rests with Hertfordshire and the assets are recorded in its capital accounts and asset register. From 2014-2015 Bedfordshire will become the designated lead for force.

All revenue costs and capital expenditure are shared between the six forces in accordance with the percentages defined in the Section 22 agreement. All capital expenditure is fully funded in the year of expenditure and there is therefore no capital financing charge to the six participating forces.

ERSOU is a jointly controlled operation with no separate entity and is therefore not able to hold reserves in respect of any cumulative surplus or deficit at year end. Each participating Local Policing Body shows its share of the carried forward surplus in its accounts. The ERSOU operating account is shown in the following table. The expenditure figures do not include depreciation charges.

The Home Office grants were paid to Hertfordshire as agent for the participating forces.

ERSOU Income and Expenditure Statement is detailed in the following table:

	2013-2014 £000	Restated 2012-2013 £000
Operating costs	7,923	7,329
Operating income	(30)	(22)
Specific HO Grant	(2,208)	(1,524)
<b>Net expenditure</b>	<b>5,685</b>	<b>5,783</b>
<b>Contributions</b>		
Bedfordshire	(1,055)	(1,082)
Cambridgeshire	(964)	(1,001)
Essex	(254)	(251)
Hertfordshire	(1,506)	(1,504)
Norfolk	(1,100)	(1,100)
Suffolk	(841)	(846)
<b>Total Contributions</b>	<b>(5,720)</b>	<b>(5,784)</b>
(Surplus)/Deficit for year	(35)	(1)
(Surplus)/Deficit brought forward	(3)	(74)
Opening Balance Adjustment	(263)	72
Applied to training account	0	<b>0</b>
<b>Surplus/(Deficit) carried forward</b>	<b>(301)</b>	<b>(3)</b>

The capital assets for ERSOU at 31<sup>st</sup> March 2014 are analysed as follows:

	2013-2014 £000	Restated 2012-2013 £000
<b>Net book value brought forward 1 April</b>	<b>555</b>	<b>686</b>
Expenditure for the year:		
Vehicles	308	88
Equipment	220	0
Building works	566	0
Depreciation for the year	(262)	(219)
<b>Total</b>	<b>1,387</b>	<b>555</b>

The capital expenditure for 2013-2014 was funded in accordance with the formulae agreed by the forces. Details are shown in the following table:

	2013-2014 £000	Restated 2012-2013 £000
<b>Home Office Grant</b>	943	0
<b>Bedfordshire</b>	34	23
<b>Cambridgeshire</b>	19	11
<b>Essex</b>	14	0
<b>Hertfordshire</b>	46	31
<b>Norfolk</b>	22	13
<b>Suffolk</b>	16	10
<b>Total</b>	<b>1094</b>	<b>88</b>

## **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 2014.

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

### **Summary of Arrangements**

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

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

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

### **Grant Arrangements**

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

### **Pension Administration**

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

### **Long Term Pension Liability**

The long term pension liability as shown in the CC Balance Sheet (see page 5) is £1,296m (£1,333m in 2012-2013). See also Note 20 on pages 40 to 48.

## Norfolk Police Officer Pension Fund Account for the year ended 31 March 2014

POLICE PENSION FUND ACCOUNT	2013-2014			2012-2013		
	Old Scheme £000	New Scheme £000	Total £000	Old Scheme £000	New Scheme £000	Total £000
Contributions Receiveable						
From Employer						
Contributions at 24.2% of pensionable pay	10,892	2,612	13,504	11,278	2,272	13,550
Early Retirements	330		330	687		687
Officers contributions	5,852	1,403	7,255	5,521	1,112	6,633
Transfers In from other pension bodies	153	454	607	63	372	435
Benefits Payable						
Pensions	(29,312)	(5)	(29,317)	(27,986)		(27,986)
Commutations & Lump Sum Retirement Benefits	(6,152)	(29)	(6,181)	(8,106)		(8,106)
Lump Sum Death Benefit			0	(75)		(75)
Payments to and on account of leavers						
Refund of Contributions		(4)	(4)		(5)	(5)
Transfers out to other pension bodies			0	(60)		(60)
<b>Net amount payable for the year</b>	<b>(18,237)</b>	<b>4,431</b>	<b>(13,806)</b>	<b>(18,678)</b>	<b>3,751</b>	<b>(14,927)</b>
<b>Additional Contributions from the Group / PCC</b>			<b>13,806</b>			<b>14,927</b>
<b>Net balance for the year</b>			<b>0</b>			<b>0</b>

## Pension Fund Net Assets Statement at 31 March 2014

NET ASSETS STATEMENT	2013-2014 £000	2012-2013 £000
<b>Current Assets</b>		
Contributions due from the Group/CC	0	0
Funding to meet deficit due from PCC	0	0
Recoverable overpayments of pensions	0	0
<b>Current Liabilities</b>		
Unpaid pensions benefit	0	0
Surplus for year owing to PCC	0	0
	<b>0</b>	<b>0</b>

## **GLOSSARY OF TERMS**

### **BUDGET**

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

### **CIPFA**

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

### **FINANCIAL REGULATIONS**

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

### **FINANCIAL YEAR**

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

### **FINANCIAL REPORTING STANDARDS (FRS)**

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

### **GOVERNMENT GRANTS**

Grants paid by the Government for a particular initiative.

### **INCOME**

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

### **OUTTURN**

The actual amount spent in the financial year.

### **RESERVES**

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

### **REVENUE EXPENDITURE AND INCOME**

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