Group and Police & Crime Commissioner for Norfolk Statement of Accounts 2013-14

OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

CONTENTS

EXPLANATORY FOREWORD

Introduction

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

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

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

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

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

The Revenue Budget and Capital Programme for 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, set out in the Act, include:

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

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

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

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

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

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 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 re-present 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-today direction and control of the force and the overarching strategic control exercised by the PCC.

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

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

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

The Main Accounting Statements

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

The accounts also reflect the following frameworks and regulations:

- The Police Reform and Social Responsibility Act 2011 (the Act)

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

The Accounts of the Police & Crime Commissioner (PCC) for 2013-2014, which will be the basis for the Audit Opinion, are set out on Pages ii to 121 and consist of;

- **Explanatory Forward**
  This provides an overview of the accounting arrangements 2013-2014.

- **Financial Review**
  This outlines the revenue and capital spending in 2013-2014 and the financing, major changes to the Accounts from 2012-2013 and future prospects for the PCC.

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

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

The Accounting Statements consist of:

- **Movement in Reserves Statement**

  This shows the movement in the year on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus (or deficit) on the provision of services' line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

- **Comprehensive Income and Expenditure Statement**

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

- **The Balance Sheet**
  This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC and Group. The net assets (assets less liabilities) are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e., those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the PCC is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movements in Reserves Statement line 'Adjustment between accounting basis and funding basis under regulations'.

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

- **Notes to the Accounts (including Statement of Accounting Policies)**
  The notes that support the core financial statements and the policies adopted in compiling the Accounts. The accounting policies explain the main principles used in producing the figures in the accounts. Many of the accounting policies are specified by the Code and this ensures that the accounts across the country are prepared on a consistent and comparable basis.

- **Police Pension Fund Supplementary Statement**
  This statement provides information on payments made and sources of income for the two pension schemes operated for Police Officers.

FINANCIAL REVIEW

Funding

The actual net revenue spending, i.e. after taking into account income raised from fees and charges, is funded from Government Grants and Council Tax. The Council Tax is raised by means of a precept on the seven district councils; the other funding is received direct from the Government. In 2013-2014 the PCC received 64% of funding from Central Government, 32% being raised locally from the Council Tax with the remaining 4% from charges for services and other income.

Revenue Budget and Spending

The actual expenditure in 2013-2014 was £149.787m.

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

The table below shows the net expenditure for the OPCCN, CC and Group. For the analysis of spend see note 25 on pages 80 to 88.

	2013-2014 £000	2012-2013 £000
Office of the PCC	1,371	1,057
Commissioning	786	0
Total OPCCN	2,157	1,057
Chief Constable	145,361	140,444
Reserves	2,269	4,369
Group	149,787	145,870

The final outturn position for the year (see note 25 on pages 80 and 88) against the original budget is set out in the table below together with the sources of income from which the net revenue expenditure was financed.

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

	Final Revised Budget £000	**Outturn £000**
OPCCN	2,278	2,157
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	147,583	147,518
Net Transfer to Reserves	2,204	2,269
	149,787	149,787
Funded By -		
Council Tax	53,052	53,052
Police Grants	65,346	65,346
Departmet of Communities & Local Government	31,389	31,389
Total Funding	149,787	149,787

The Net Transfer to Reserves of £2.269m represents the difference between final outturn net spending and external funding. This amount has been transferred to earmarked reserves (see note 9 on pages 54 and 55) as agreed by the PCC during the year.

The Government has set an agenda for significant funding reductions in the public sector in forthcoming years in order to assist with the national economic outlook. Full details of the final outturn can be found in the report to the Police Accountability Panel 16 July 2014 which can be found on the PCC's website at www.norfolk-pcc.gov.uk.

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

The difference between the Group outturn figure of £149.787m and the Net Cost of Policing within the Comprehensive Income and Expenditure Statement of £165.297m is £15.510m. This figure is made up of the following transactions which cannot be charged to Net Cost of Policing as they cannot reasonably be allocated or apportioned to services as required by the Service Reporting Code of Practice;

	Group £000
Other Operating Expenditure	
Loss on the disposal of Non Current Assets	187
Financing and Investment Income & Expenditure	
Interest Payable and Similar Charges	7,592
Interest and Investment Income	(287)
Pension Interest Cost and Expected Return on Pension Assets	58,104
Taxation and Non-Specific Grant Income	
Adjustment to Precepts	(495)
Other Government Grants	(3,360)
Capital Grant	(1,631)
(Surplus) or Deficit on the Provision of Services	
Movement on the General Fund Balance	(75,620)
Total Difference	**(15,510)**

The difference between the PCC outturn figure of £4.426m and the Cost of Policing within the Comprehensive Income and Expenditure Statement of £4.927m is £0.501m which is made up of the following transactions;

	£000
PCC/CC movements between outturn and CIES	(3,035)
Other Operating Expenditure	
Loss on the disposal of Non Current Assets	187
Financing and Investment Income & Expenditure	
Interest Payable and Similar Charges	7,592
Interest and Investment Income	(287)
Pension Interest Cost and Expected Return on Pension Assets	37
Taxation and Non-Specific Grant Income	
Adjustment to Precepts	(495)
Other Government Grants	(3,360)
Capital Grant	(1,631)
(Surplus) or Deficit on the Provision of Services	
Movement on the General Fund Balance	491
Total Difference	**(501)**

Capital Expenditure and Financing

The total Group and PCC capital spending for 2013-2014 was £4.348m against an approved capital programme of £8.398m. Full details of the final outturn can be found in the report to the Police Accountability Panel (PAP) 16 July 2014 which can be found on the PCC's website at www.norfolk-pcc.gov.uk.

The Treasury Management Strategy for 2013-2014 was to defer external borrowing due to the prevailing interest rates available for investment, measured against the cost of borrowing. In accordance with the strategy £11.388 million was financed internally in the financial years 2009-2010 to 2013-2014. It may be necessary to borrow for this in the future.

Further information on capital spending and capital financing is provided in note 30 on page 95. All land and buildings are revalued on a 5-year rolling programme. This revaluation base is reflected in these accounts. The majority of non-current assets are included in the balance sheet at their current value. The Group and PCC non-current assets portfolio is valued at £74.233m.

Provisions and Reserves

Total provisions as at 31st March 2014 amounted to £0.957m, as shown within Current and Long Term Liabilities on the balance sheet on pages 9 to 11, and related note 19 on pages 70 and 71.

The Group reserves as at 31st March 2014 comprise usable Revenue Reserves of £36.840m, unusable Capital Reserve liability of £14.334m, other unusable Reserves of £0.731m and an unusable Pension Reserve liability of £1,295.834m. These are shown in the balance sheet on pages 9 to 11, in the movement in reserves statement on pages 1 and 2 and the related note 21 on pages 72 to 77.

The Pension Reserve liability shows the underlying commitments that the Group has in the long term to pay retirement benefits. Reflecting this long term commitment (in accordance with accounting requirements) results in a negative overall balance (liability) on the balance sheet (see pages 9 to 11) of £1,272.597m. There are no implications for the constitutional permanence of the pension arrangements which are fully secured against current and future funding.

The PCC reserves as at 31st March 2014 comprise usable Revenue Reserves of £36.840m, unusable Capital Reserve liability of £14.334m, other unusable Reserves of £1.204m and an unusable Pension Reserve liability of £0.428m. These are also shown in the balance sheet on pages 9 to 11, in the movement in reserves statement on pages 1 and 2 and the related note 21 on pages 72 to 77. Reflecting this long term commitment (in accordance with accounting requirements) results in an overall balance on the balance sheet (see pages 9 to 11) of £23.282m.

Treasury Management

The Treasury Management Strategy was approved as part of the budget report for 2013-2014.

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

The base interest rate remained at 0.5% for the whole year and margins were extremely tight. In the event, the PCC achieved a rate of return on investments of 0.71%. This compared to a benchmark figure of 0.34% against the London Interbank Bid rate (LIBID). Interest received totalled £286,979 on an average amount invested of £40.210 million, giving an over recovery against budget of £78,479. Although interest rates achieved were below the budgeted figure of 1%, this was more than compensated by higher than anticipated levels of investments available, as capital spending was significantly curtailed.

Accounting Policies

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

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

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

Pensions Deficit

The accounts reflect the underlying commitment that the Group has to pay future retirement benefits for employees, as required by IAS19. As a result, the estimated pension liability, measured on an actuarial basis, is included in the Balance Sheet, effectively reducing the stated Net Worth of the Group by £1,295.834m.

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

Financial Commitments

The PCC is committed to making payments under a contract with a consortium for the use of Jubilee House, Operations and Communications Centre at Wymondham until 2037. The actual level of payments is dependent on availability of the site and the provision and delivery of services within. The contract, which is for a period of 35 years starting from 2001, has an option to purchase the property at open market value, or to negotiate with the PFI provider to extend the contract for up to a further 2 periods of 15 years, or of terminating the contract.

Six Police Investigation Centres (PICs) were opened during 2011. The contract is under a PFI arrangement for which Norfolk and Suffolk PCCs are committed to making payments under a 30 year contract with a consortium for their use. The actual level of payments is dependent on availability of the site and provision and delivery of services within. At the end of this term the properties revert to the 2 PCCs. Norfolk and Suffolk have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the 6 properties located in the 2 Counties - this being Norfolk 58.2% and Suffolk 41.8%. There is also an arrangement with Cambridgeshire Constabulary by which one third of the running costs of the Kings Lynn PIC are recharged to Cambridgeshire for the use of the cells within.

Further details can be found at note 32 pages 97 to 100.

Due to the forecast expectation of further funding reductions in the next few years (see paragraph below) the revenue budget included provision for additional contributions to the Budget Support Reserve of £2.302m in 2013-2014. See note 9 on pages 54 and 55.

Major Changes and Future Developments in Service Delivery

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

Annual Governance Statement

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

Value for Money (VFM)

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

- The process for allocating resources against desired outcomes is transparent and based on clear, quantified evidence.
- Risks to performance, improving processes and productivity are assessed. This is used to target improvement activity or develop contingency plans.
- Services and support functions are tested against appropriate benchmarks to identify and tackle excessive costs or weak performance.
- Public demand for services is understood and quantified, and informs deployment of staff.

- Staff is used efficiently. Programmes to minimise waste and increase employee engagement are in place to support this (most likely through Continuous Improvement).

- End-to-end operational processes are focused on delivering for the customer, with data used to demonstrate this. Processes are streamlined, non-bureaucratic and efficient.

- Goods and services are procured and supply contracts are then managed in a way that maximises value, including through taking advantage of central or collaborative procurement where appropriate.

- Data is fit for intended purpose and is used and published routinely, providing clear line of sight between consumption of resources, production of outputs, and realisation of outcomes.

Further Information

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

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

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

Opinion on the Police and Crime Commissioner for Norfolk financial statements

We have audited the financial statements of the Police and Crime Commissioner for Norfolk for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner for Norfolk and Group Movement in Reserves Statement, the Police and Crime Commissioner for Norfolk and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner for Norfolk and Group Balance Sheet, the Police and Crime Commissioner for Norfolk and Group Cash Flow Statement and the related notes 1 to 40, and the Police and Crime Commissioner for Norfolk Pension Fund Account Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page xix, 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 Police and Crime Commissioner for Norfolk and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 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 Police and Crime Commissioner for Norfolk as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

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

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

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

Certificate
We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Norfolk in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil A Harris
Audit Director

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

September 2014

STATEMENT OF RESPONSIBILITIES

The Police & Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

- Make arrangements for the proper administration of their financial affairs and to secure that one of their officers (Chief Finance Officer) has the responsibility for the administration of those affairs;

- Manage their affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- Ensure that there is an adequate annual governance statement;

- Approve the Statement of Accounts and authorise for issue.

I approve the Statement of Accounts on behalf of the Office of the Police and Crime Commissioner and for the Norfolk Group.

Date: 29th September 2014

Signature:
Stephen Bett
Police and Crime Commissioner

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts present a true and fair view of the financial position of the Police and Crime Commissioner and for the Norfolk Group at the accounting date and of the income and expenditure for the year ended 31 March 2014.

Date: 29th September 2014

Signature:
John Hummersone CPFA
Chief Finance Officer for the Police and Crime Commissioner for Norfolk

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

The statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the services, more details of which are shown in the Comprehensive Income and Expenditure Statement (see pages 5 and 8). This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Group.

	Group Reserves 2012-2013						
	Restated General Fund Balance £000	**Earmarked Revenue Reserve £000**	**Capital Receipts Reserves £000**	**Capital Grants Unapplied £000**	**Restated Total Usable Reserves £000**	**Restated Total Unusable Reserves £000**	**Restated Total Reserves £000**
Balance at 31 March 2012	**4,475**	**25,727**	**0**	**3,497**	**33,699**	**(1,148,330)**	**(1,114,631)**
Surplus or (Deficit) on Provision of Services	(62,329)				**(62,329)**	0	**(62,329)**
Other Comprehensive Expenditure and Income					**0**	(133,312)	**(133,312)**
Total Comprehensive Expenditure and Income	**(62,329)**	**0**	**0**	**0**	**(62,329)**	**(133,312)**	**(195,641)**
Adjustments between accounting basis & funding basis under regulations	66,698			(1,868)	**64,830**	(64,830)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,369**	**0**	**0**	**(1,868)**	**2,501**	**(198,142)**	**(195,641)**
Transfers to / from Reserves	(4,369)	4,369	0	0	**0**	0	**0**
Increase / Decrease in Year	**0**	**4,369**	**0**	**(1,868)**	**2,501**	**(198,142)**	**(195,641)**
Balance at 31 March 2013	**4,475**	**30,096**	**0**	**1,629**	**36,200**	**(1,346,472)**	**(1,310,272)**

Group Reserves 2013-2014

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

	PCC Reserves 2012-2013						
	Restated General Fund Balance £000	**Earmarked Revenue Reserve £000**	**Capital Receipts Reserves £000**	**Capital Grants Unapplied £000**	**Restated Total Usable Reserves £000**	**Restated Total Unusable Reserves £000**	**Restated Total Reserves £000**
Balance at 31 March 2012	**4,475**	**25,727**	**0**	**3,497**	**33,699**	**(15,036)**	**18,663**
Surplus or (Deficit) on Provision of Services	2,974				**2,974**	0	**2,974**
Other Comprehensive Expenditure and Income					**0**	925	**925**
Total Comprehensive Expenditure and Income	**2,974**	**0**	**0**	**0**	**2,974**	**925**	**3,899**
Adjustments between accounting basis & funding basis under regulations	1,395			(1,868)	**(473)**	473	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,369**	**0**	**0**	**(1,868)**	**2,501**	**1,398**	**3,899**
Transfers to / from Reserves	(4,369)	4,369	0	0	**0**	0	**0**
Increase / Decrease in Year	**0**	**4,369**	**0**	**(1,868)**	**2,501**	**1,398**	**3,899**
Balance at 31 March 2013	**4,475**	**30,096**	**0**	**1,629**	**36,200**	**(13,638)**	**22,562**

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – For the Group

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

Group Comprehensive Income and Expenditure Account	**Current Year Year ending 31 March 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**
Police Services:						
Local Policing	81,552	(1,147)	80,405	76,592	(5,284)	71,308
Dealing with the Public	12,383	(144)	12,239	12,149	(126)	12,023
Criminal Justice Arrangements	18,312	(4,750)	13,562	17,046	(4,686)	12,360
Road Policing	10,976	(1,942)	9,034	9,937	(1,820)	8,117
Special Operations	5,056	(440)	4,616	4,707	(176)	4,531
Intelligence	6,330	(77)	6,253	6,198	(284)	5,914
Special Investigations	33,711	(606)	33,105	31,274	(855)	30,419
Investigative Support	3,934	(24)	3,910	3,848	(20)	3,828
National Policing	4,005	(3,847)	158	3,563	(3,699)	(136)
Corporate and Democratic Core	2,754	(739)	2,015	1,566	(4)	1,562
Net Cost of Policing	**179,013**	**(13,716)**	**165,297**	**166,880**	**(16,954)**	**149,926**

Group Comprehensive Income and Expenditure Account (continued)	Current Year Year ending 31 March 2014 Gross Expenditure £ 000	Gross Income £ 000	Net Expenditure £ 000	Previous Year Restated Year ending 31 March 2013 Gross Expenditure £ 000	Gross Income £ 000	Net Expenditure £ 000
Other Operating Expenditure						
Home Office grant payable toward the cost of police officer retirement benefits	13,806	(13,806)	0	14,927	(14,927)	0
Losses on Disposal of Non Current Assets	187		187	185		185
	13,993	**(13,806)**	**187**	**15,112**	**(14,927)**	**185**
Financing and Investment Income & Expenditure						
Interest payable and similar charges	7,592		7,592	7,578	0	7,578
Pensions interest cost and expected return on pensions assets	63,765	(5,661)	58,104	60,951	(5,160)	55,791
Interest and Investment Income		(287)	(287)	0	(274)	(274)
	71,357	**(5,948)**	**65,409**	**68,529**	**(5,434)**	**63,095**
Taxation and Non-Specific Grant Income						
Council Tax Income			(53,547)			(59,773)
Main Police Grant			(65,346)			(53,682)
Department of Communities & Local Government			(31,389)			(32,447)
Other Government Grants			(3,360)			(3,328)
Capital Grants and Contributions			(1,631)			(1,647)
			(155,273)			**(150,877)**
(Surplus) or Deficit on the Provision of Services			**75,620**			**62,329**
(Surplus) or deficit on the revaluation of Non Current Assets			(76)			(1,060)
Remeasurements of the net defined benefit liability/(asset)			(113,219)			134,372
Other Comprehensive Income and Expenditure			**(113,295)**			**133,312**
Total Comprehensive Income and Expenditure			**(37,675)**			**195,641**

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

This statement is prepared on the same accounting practices as the Group Comprehensive Income and Expenditure Statement on the previous page. The PCC's Comprehensive Income and Expenditure Statement shows gross income and expenditure of the PCC and the PCC's resources consumed by the CC during 2013-2014.

PCC 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	3,341	(84)	3,257	3,267	(54)	3,213
Dealing with the Public	633	(16)	617	629	(10)	619
Criminal Justice Arrangements	709	(3,489)	(2,780)	718	(3,460)	(2,742)
Road Policing	338	(45)	293	333	(5)	328
Special Operations	131	(3)	128	118	(2)	116
Intelligence	245	(7)	238	231	(3)	228
Special Investigations	1,240	(32)	1,208	1,154	(18)	1,136
Investigative Support	134	(4)	130	141	(2)	139
National Policing	93	(2)	91	90	(2)	88
Corporate and Democratic Core	2,485	(740)	1,745	1,276	(4)	1,272
Cost of Policing Services	**9,349**	**(4,422)**	**4,927**	**7,957**	**(3,560)**	**4,397**
Intra Group Adjustment			**142,326**			**136,000**
Net Cost of Policing			**147,253**			**140,397**

PCC Comprehensive Income and Expenditure Account (continued)	**Current Year Year ending 31 March 2014 Gross Expenditure £ 000**	**Gross Income £ 000**	**Net Expenditure £ 000**	**Previous Year Restated Year ending 31 March 2013 Gross Expenditure £ 000**	**Gross Income £ 000**	**Net Expenditure £ 000**
Other Operating Expenditure						
Home Office grant payable toward the cost of police officer retirement benefits	13,806	(13,806)	0	14,927	(14,927)	0
Losses on Disposal of Non Current Assets	187		187	185		185
	13,993	**(13,806)**	**187**	**15,112**	**(14,927)**	**185**
Financing and Investment Income & Expenditure						
Interest payable and similar charges	7,592		7,592	7,578		7,578
Pensions interest cost and expected return on pensions assets	128	(91)	37	70	(53)	17
Interest and Investment Income		(287)	(287)		(274)	(274)
	7,720	**(378)**	**7,342**	**7,648**	**(327)**	**7,321**
Taxation and Non-Specific Grant Income						
Council Tax Income			(53,547)			(59,773)
Main Police Grant			(65,346)			(53,682)
Department of Communities & Local Government			(31,389)			(32,447)
Other Government Grants			(3,360)			(3,328)
Capital Grants and Contributions			(1,631)			(1,647)
			(155,273)			**(150,877)**
(Surplus) or Deficit on the Provision of Services			**(491)**			**(2,974)**
(Surplus) or deficit on the revaluation of Non Current Assets			(76)			(1,060)
Remeasurements of the net defined benefit liability/(asset)			(153)			135
Other Comprehensive Income and Expenditure			**(229)**			**(925)**
Total Comprehensive Income and Expenditure			**(720)**			**(3,899)**

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

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

Reserves are reported in two categories.

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

Balance Sheet	Financial Statements Note No.	Financial Statements Page No.	Group 31 March 2014 £000	Group Restated 31 March 2013 £000	PCC 31 March 2014 £000	PCC Restated 31 March 2013 £000
Non Current Assets						
Property, Plant & Equipment	10	56 to 61	73,719	75,054	73,719	75,054
Intangible Assets	12	62 & 63	514	634	514	634
Total Non Current Assets			74,233	75,688	74,233	75,688
Current Assets						
Assets Held for Sale	17	68	325	575	325	575
Short Term Investments	16	68	18,116	7,586	18,116	7,586
Inventories	14	66	211	295	211	295
Short Term Debtors	15	67	6,910	10,939	6,910	10,939
Cash and Cash Equivalents	16	67	14,219	19,082	14,219	19,082
Total Current Assets			39,781	38,477	39,781	38,477
Current Liabilities						
Short Term Creditors	18	69	(11,508)	(11,357)	(11,035)	(10,842)
Provisions	19	70 & 71	(743)	(747)	(743)	(747)
Total Current Liabilities			(12,251)	(12,104)	(11,778)	(11,589)
Long Term Liabilities						
Long Term Creditors	18	69	(780)	(936)	(780)	(936)
Provisions	19	70 & 71	(214)	(290)	(214)	(290)
Long Term Borrowing	13	64 to 66	(13,161)	(13,161)	(13,161)	(13,161)
Liability Related to PFI Schemes	32	97 to 100	(64,371)	(65,111)	(64,371)	(65,111)
Liability Related to Defined Benefit Pension Schemes	34	101 & 110	(1,295,834)	(1,332,835)	(428)	(516)
Total Long Term Liabilities			(1,374,360)	(1,412,333)	(78,954)	(80,014)
Net Assets			**(1,272,597)**	**(1,310,272)**	**23,282**	**22,562**

Balance Sheet (continued)	Financial Statements Note No.	Financial Statements Page No.	Group 31 March 2014 £000	Group Restated 31 March 2013 £000	PCC 31 March 2014 £000	PCC Restated 31 March 2013 £000
Financed By:						
Usable Reserves						
Earmarked Reserves	9	54 & 55	32,365	30,096	32,365	30,096
General Fund			4,475	4,475	4,475	4,475
Capital Grant Unapplied Account			132	1,629	132	1,629
Unusable Reserves						
Revaluation Reserve	21	72 & 73	3,905	3,913	3,905	3,913
Capital Adjustment Account	21	72 to 74	(18,371)	(17,755)	(18,371)	(17,755)
Financial Instruments Adjustment A/c	21	72 & 75	63	74	63	74
Collection Fund Adjustment Account	21	72, 75 & 76	1,141	646	1,141	646
Accumulated Absences Account	21	72 & 76	(473)	(515)	0	0
Pension Reserve	21	72 & 77	(1,295,834)	(1,332,835)	(428)	(516)
Total Reserves			**(1,272,597)**	**(1,310,272)**	**23,282**	**22,562**

John Hummersone CPFA
Chief Finance Officer for the Police and Crime Commissioner for Norfolk
29th September 2014

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

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

	Financial Statements Note/Page No.	Group 31 March 2014 £000	Group Restated 31 March 2013 £000	PCC 31 March £000	PCC Restated 31 March £000
Net (surplus) or deficit on the provision of services		75,620	62,329	(491)	(2,974)
Adjustments to net surplus or deficit on the provision of services for non cash movements	**22 / 78**	(85,981)	(69,232)	(9,870)	(3,929)
Net Cash Inflows from Operating Activities		(10,361)	(6,903)	(10,361)	(6,903)
Investing Activities	**23 / 79**	14,545	7,080	14,545	7,080
Financing Activities	**24 / 79**	679	623	679	623
Net (Increase) / Decrease in Cash and Cash Equivalents		**4,863**	**800**	**4,863**	**800**
Cash and cash equivalents at the beginning of the reporting period		**19,082**	**19,882**	**19,082**	**19,882**
Cash and cash equivalents at the end of the reporting period	**16 / 67**	**14,219**	**19,082**	**14,219**	**19,082**

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A. GENERAL PRINCIPLES

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

The Group is required to prepare the annual Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 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.

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

B. COST RECOGNITION AND INTRA-GROUP ADJUSTMENT

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

C. ACCRUALS OF INCOME AND EXPENDITURE

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

- Income from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Income from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Supplies are recorded as expenditure when they are consumed. Where there are gaps between the date supplies are received and their consumption, where material, they are carried as inventories on the Balance Sheet (see note 14 on page 66).
- Expenses in relation to services received (including services provided by officers and employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

D. CASH AND CASH EQUIVALENTS

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

E. EXCEPTIONAL ITEMS

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

F. 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 Group financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

G. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

H. 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 Group. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which the employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

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

Post-Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 PCC equate to 1% 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 Group also contributes 24.2% of police officer pensionable pay to this account and a capital payment for any ill-health pensions awarded. The Group continues to fund injury awards from revenue.
This account is balanced at the 31 March and any shortfall is paid by the Home Office. Details of the Police Pension Fund Account are shown on page 119 to 121.

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

I. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

J. FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

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

The Group has not entered into the repurchase of borrowing.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

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

Available for sale assets

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

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

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

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

K. FOREIGN CURRENCY TRANSLATION

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

L. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

M. HERITAGE ASSETS

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

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

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

N. INTANGIBLE ASSETS

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

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

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

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

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

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

O. INVENTORIES AND LONG TERM CONTRACTS

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

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

P. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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

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

Q. LEASES

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

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

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

The Group as Lessee (Operating Lease)

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

The Group as Lessor (Operating Lease)

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

R. 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 PCC status as a multi-functional, democratic organisation.

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

S. PROPERTY, PLANT AND EQUIPMENT

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

Recognition:

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential; (ie repairs and maintenance) is charged as an expense when it is incurred.

The Group has a de minimis level for Plant and Equipment of £20,000 for single or aggregated items. All assets in respect of Land and Buildings, and Vehicles are recorded on the asset register.

Measurement:

Assets are initially measured at cost, comprising;

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

The Group does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be fair value; the Group has not acquired any asset via an exchange. The Group does not have any donated asses capitalised on its Balance Sheet.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

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

Impairment

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

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

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

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

Depreciation:

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Plant and equipment – straight line over the life of the asset as advised by a suitably qualified officer, with full annual depreciation in year of purchase and no depreciation in year of disposal.
- Vehicles - straight line over the life of the asset as advised by a suitably qualified officer, with full annual depreciation in year of purchase and no depreciation in year of disposal.

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

T. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

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

- Lifecycle replacement costs – contained within the unitary charge and debited to the relevant service in the CC's Comprehensive Income and Expenditure Statement.

U. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
Contingent liabilities are not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Contingent Assets

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

V. RESERVES

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Group. These reserves are explained in the relevant policies.

W. VALUE ADDED TAX (VAT)

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

Where the VAT is irrecoverable it is included in the relevant service line of the Comprehensive Income and Expenditure Statement. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (i.e., purchase of command platform vehicles). The irrecoverable VAT for 2013-2014 is £19,377 (£10,090 for 2012-2013).

In addition there was irrecoverable VAT in 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

Prior Period Adjustments

Immaterial amendments which have been made to the 2012-2013 brought forward comparatives and the reasons for the restated position are disclosed below for completeness.

Police Objective Analysis

The Group is required to report the Net Cost of Policing within 11 categories of policing. The guidance was updated for 2013-2014 and thus 2012-2013 Net Cost of Policing has been restated to allow comparison between years.

Defined Benefit Pension Schemes

The Code has amended the previous 7 components which analysed the change in net pension liability to 5 components. The new categories are detailed in Accounting Policy H on pages 16 to19. The 2012-2013 Comprehensive Income and Expenditure Account has been restated to allow comparison between years.

Group Comprehensive Income and Expenditure Account	**Published Accounts 2012-2013**			**Adjustments Revised Police Objective Analysis**			**Adjustments Defined Benefit Pension Schemes**			**Restated 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**
Police Services:												
Local Policing	76,792	(5,016)	71,776	(239)	(268)	(507)	39		39	76,592	(5,284)	71,308
Dealing with the Public	12,159	(126)	12,033	(29)	0	(29)	19		19	12,149	(126)	12,023
Criminal Justice Arrangements	16,680	(4,686)	11,994	345	0	345	21		21	17,046	(4,686)	12,360
Road Policing	9,952	(1,820)	8,132	(18)	0	(18)	3		3	9,937	(1,820)	8,117
Special Operations	4,650	(444)	4,206	56	268	324	1		1	4,707	(176)	4,531
Intelligence	6,206	(284)	5,922	(12)	0	(12)	4		4	6,198	(284)	5,914
Special Investigations	31,353	(855)	30,498	(91)	0	(91)	12		12	31,274	(855)	30,419
Investigative Support	3,850	(20)	3,830	(7)	0	(7)	5		5	3,848	(20)	3,828
National Policing	3,566	(3,699)	(133)	(4)	0	(4)	1		1	3,563	(3,699)	(136)
Corporate and Democratic Core	1,566	(4)	1,562	(1)	0	(1)	1		1	1,566	(4)	1,562
Non Distributed Costs	106	0	106	0	0	0	(106)		(106)	0	0	0
Net Cost of Policing	**166,880**	**(16,954)**	**149,926**	**0**	**0**	**0**	**0**	**0**	**0**	**166,880**	**(16,954)**	**149,926**

Group Comprehensive Income and Expenditure Account (continued)	**Published Accounts 2012-2013**			**Adjustments Revised Police Objective Analysis**			**Adjustments Defined Benefit Pension Schemes**			**Restated 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**
Other Operating Expenditure												
Home Office grant payable toward the cost of police officer retirement benefits	14,927	(14,927)	0							14,927	(14,927)	0
Losses on Disposal of Non Current Assets	185		185							185		185
Other Operating Expenditure	**15,112**	**(14,927)**	**185**							**15,112**	**(14,927)**	**185**
Financing and Investment Income												
Interest payable and similar charges	7,578		7,578							7,578		7,578
Pensions interest cost and expected return on pensions assets	60,951	(5,912)	55,039					752	752	60,951	(5,160)	55,791
Interest and Investment Income		(274)	(274)								(274)	(274)
Financing and Investment Income	**68,529**	**(6,186)**	**62,343**					**752**	**752**	**68,529**	**(5,434)**	**63,095**
Taxation and Non-Specific Grant Income			**(150,877)**									**(150,877)**
(Surplus) or Deficit on the Provision of Services			**61,577**						**752**			**62,329**
(Surplus) or deficit on the revaluation of Non Current Assets			(1,060)									(1,060)
Actuarial (gains) or losses on pension assets and liabilities			135,124						(752)			134,372
Other Comprehensive Income and Expenditure			**134,064**						**(752)**			**133,312**
Total Comprehensive Income and Expenditure			**195,641**						**0**			**195,641**

Accounting Changes for 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.

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 re-present 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.

Opening 1 April 2012 Balance Sheet	Balance Sheet Page / sub heading	2012-2013 Statements Group/PCC £000	Adjustments Transfer to CC Accounts £000	Restated Opening Balance of PCC Accounts £000
Short term Creditors	10 / Current Liabilities	(11,881)	535	(11,346)
Accumulated Absences Account	11 / Unusable Reserves	535	(535)	0

31 March 2013 Balance Sheet	Balance Sheet Page / sub heading	2012-2013 Statements Group/PCC £000	Adjustments Transfer to CC Accounts £000	Restated Closing Balance of PCC Accounts £000
Short term Creditors	10 / Current Liabilities	(11,357)	515	(10,842)
Accumulated Absences Account	11 / Unusable Reserves	515	(515)	0

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.

Opening 1 April 2012 Balance Sheet	Balance Sheet Page / sub heading	2012-2013 Statements Group/PCC £000	Adjustments Transfer to CC Accounts £000	Restated Opening Balance of PCC Accounts £000
Liability Related to Defined Benefit Pension Scheme	10 / Long Term Liabilities	(1,133,118)	1,132,752	(366)
Pension Reserve	11 / Unusable Reserves	1,133,118	(1,132,752)	366

31 March 2013 Balance Sheet	Balance Sheet Page / sub heading	2012-2013 Statements Group/PCC £000	Adjustments Transfer to CC Accounts £000	Restated Closing Balance of PCC Accounts £000
Liability Related to Defined Benefit Pension Scheme	10 / Long Term Liabilities	(1,332,835)	1,332,319	(516)
Pension Reserve	11 / Unusable Reserves	1,332,835	(1,332,319)	516

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.

The 2012-2013 first column in the table shows the restated position as per the disclosure note above (see pages 31 and 32) which has restated the 2012-2013 CIES for the changes in respect of police objective analysis and defined benefit pension scheme. The following columns remove the income and expenditure which is now shown within the CC's CIES.

PCC - Comprehensive Income and Expenditure Account	Restated Group 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
Police Services:															
Local Policing	76,592	(5,284)	71,308	(16,179)	0	(16,179)	(125)	0	(125)	(57,021)	5,230	(51,791)	3,267	(54)	3,213
Dealing with the Public	12,149	(126)	12,023	(1,748)	0	(1,748)	(206)	0	(206)	(9,566)	116	(9,450)	629	(10)	619
Criminal Justice Arrangements	17,046	(4,686)	12,360	(2,094)	0	(2,094)	(39)	0	(39)	(14,195)	1,226	(12,969)	718	(3,460)	(2,742)
Road Policing	9,937	(1,820)	8,117	(1,732)	0	(1,732)	(24)	0	(24)	(7,848)	1,815	(6,033)	333	(5)	328
Special Operations	4,707	(176)	4,531	(623)	0	(623)	(7)	0	(7)	(3,959)	174	(3,785)	118	(2)	116
Intelligence	6,198	(284)	5,914	(1,006)	0	(1,006)	(15)	0	(15)	(4,946)	281	(4,665)	231	(3)	228
Special Investigations	31,274	(855)	30,419	(5,911)	0	(5,911)	(80)	0	(80)	(24,129)	837	(23,292)	1,154	(18)	1,136
Investigative Support	3,848	(20)	3,828	(314)	0	(314)	(6)	0	(6)	(3,387)	18	(3,369)	141	(2)	139
National Policing	3,563	(3,699)	(136)	(442)	0	(442)	(12)	0	(12)	(3,019)	3,697	678	90	(2)	88
Corporate and Democratic Core	1,566	(4)	1,562	(74)	0	(74)	(1)	0	(1)	(215)	0	(215)	1,276	(4)	1,272
Cost of Policing Services	166,880	(16,954)	149,926	**(30,123)**	**0**	**(30,123)**	**(515)**	**0**	**(515)**	**(128,285)**	**13,394**	**(114,891)**	**7,957**	**(3,560)**	**4,397**
Intra Group Adjustment						**30,123**			**515**			**105,362**			**136,000**
Net Cost of Policing			**149,926**			**0**			**0**			**(9,529)**			**140,397**

PCC - Comprehensive Income and Expenditure Account (Continued)	**Restated Group 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**
Losses on Disposal of Non Current Assets			185												185
Other Operating Expenditure			**185**			**0**			**0**			**0**			**185**
Financing and Investment Income															
Interest payable and similar charges			7,578			0			0			0			7,578
Pensions interest cost and expected return on pensions assets			55,791			(55,774)									17
Interest and Investment Income			(274)												(274)
Financing and Investment Income			**63,095**			**(55,774)**			**0**			**0**			**7,321**
Taxation and Non-Specific Grant			**(150,877)**			**0**			**0**			**0**			**(150,877)**
(Surplus) or Deficit on the Provision of Services			**62,329**			**(55,774)**			**0**			**(9,529)**			**(2,974)**
(Surplus) or deficit on the revaluation of Non Current Assets			(1,060)			0			0			0			(1,060)
Actuarial (gains) or losses on pension assets and liabilities			134,372			(134,237)			0			0			135
Other Comprehensive Income and			**133,312**			**(134,237)**			**0**			**0**			**(925)**
Total Comprehensive Income and			**195,641**			**(190,011)**			**0**			**(9,529)**			**(3,899)**

The following table shows the Income and expenditure which has been retained within the PCC's CIES.

PCC - Comprehensive Income and Expenditure Account	**IAS19 2012-2013**			**Accumulated Absences 2012-2013**			**I&E (Other) 2012-2013**			**Restated 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**
Police Services:												
Local Policing	21	0	21	0	0	0	3,246	(54)	3,192	3,267	(54)	3,213
Dealing with the Public	12	0	12	0	0	0	617	(10)	607	629	(10)	619
Criminal Justice Arrangements	13	0	13	0	0	0	705	(3,460)	(2,755)	718	(3,460)	(2,742)
Road Policing	1	0	1	0	0	0	332	(5)	327	333	(5)	328
Special Operations	0	0	0	0	0	0	118	(2)	116	118	(2)	116
Intelligence	2	0	2	0	0	0	229	(3)	226	231	(3)	228
Special Investigations	5	0	5	0	0	0	1,149	(18)	1,131	1,154	(18)	1,136
Investigative Support	3	0	3	0	0	0	138	(2)	136	141	(2)	139
National Policing	0	0	0	0	0	0	90	(2)	88	90	(2)	88
Corporate and Democratic Core	1	0	1	0	0	0	1,275	(4)	1,271	1,276	(4)	1,272
Net Cost of Policing	**58**	**0**	**58**	**0**	**0**	**0**	**7,899**	**(3,560)**	**4,339**	**7,957**	**(3,560)**	**4,397**

Movement in Reserves Statement

The MIRS has been restated for the PCC by the movement within the General Fund and transfer of Unusable Reserves to the CC in 2012-2013. The following table shows the total movement in these reserves.

	Group Reserves 2012-2013				Transferred to CC Reserves				Restated PCC Reserves 2012-2013			
	General Fund Balance £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000	General Fund Balance £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000	General Fund Balance £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2012	**4,475**	**33,699**	**(1,148,330)**	**(1,114,631)**	**0**	**0**	**1,133,294**	**1,133,294**	**4,475**	**33,699**	**(15,036)**	**18,663**
Surplus or (Deficit) on Provision of Services	(62,329)	**(62,329)**	0	**(62,329)**	65,303	**65,303**	0	**65,303**	2,974	**2,974**	**0**	**2,974**
Other Comprehensive Expenditure and Income		**0**	(133,312)	**(133,312)**		**0**	134,237	**134,237**		**0**	**925**	**925**
Total Comprehensive Expenditure and Income	**(62,329)**	**(62,329)**	**(133,312)**	**(195,641)**	**65,303**	**65,303**	**134,237**	**199,540**	**2,974**	**2,974**	**925**	**3,899**
Adjustments between accounting basis & funding basis under regulations	66,698	**64,830**	(64,830)	**0**	(65,303)	**(65,303)**	65,303	**0**	1,395	**(473)**	**473**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,369**	**2,501**	**(198,142)**	**(195,641)**	**0**	**0**	**199,540**	**199,540**	**4,369**	**2,501**	**1,398**	**3,899**
Transfers to / from Reserves	(4,369)	**0**	0	**0**	0	**0**	0	**0**	(4,369)	**0**	**0**	**0**
Increase / Decrease in Year	**0**	**2,501**	**(198,142)**	**(195,641)**	**0**	**0**	**199,540**	**199,540**	**0**	**2,501**	**1,398**	**3,899**
Balance at 31 March 2013	**4,475**	**36,200**	**(1,346,472)**	**(1,310,272)**	**0**	**0**	**1,332,834**	**1,332,834**	**4,475**	**36,200**	**(13,638)**	**22,562**

The following table shows the movement within Unusable Reserves;

	Group Unusable Reserves 2012-2013				Transferred to CC Reserves			Restated PCC Reserves 2012-2013			
	Other Reserves £000	Accumulated Absences Account £000	Pensions Reserve £000	Total Unusable Reserves £000	Accumulated Absences Account £000	Pensions Reserve £000	Total Unusable Reserves £000	Other Reserves £000	Accumulated Absences Account £000	Pensions Reserve £000	Total Unusable Reserves £000
Balance at 31 March 2012	**(14,677)**	**(535)**	**(1,133,118)**	**(1,148,330)**	**535**	**1,132,759**	**1,133,294**	**(14,677)**	**0**	**(359)**	**(15,036)**
Surplus or (Deficit) on Provision of Services				**0**			0				0
Other Comprehensive Expenditure and Income	1,060		(134,372)	**(133,312)**		134,237	134,237	1,060		(135)	925
Total Comprehensive Expenditure and Income	**1,060**	**0**	**(134,372)**	**(133,312)**	**0**	**134,237**	**134,237**	**1,060**	**0**	**(135)**	**925**
Adjustments between accounting basis & funding basis under regulations	495	20	(65,345)	**(64,830)**	(20)	65,323	65,303	495	0	(22)	473
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,555**	**20**	**(199,717)**	**(198,142)**	**(20)**	**199,560**	**199,540**	**1,555**	**0**	**(157)**	**1,398**
Transfers to / from Reserves				**0**			0				0
Increase / Decrease in Year	**1,555**	**20**	**(199,717)**	**(198,142)**	**(20)**	**199,560**	**199,540**	**1,555**	**0**	**(157)**	**1,398**
Balance at 31 March 2013	**(13,122)**	**(515)**	**(1,332,835)**	**(1,346,472)**	**515**	**1,332,319**	**1,332,834**	**(13,122)**	**0**	**(516)**	**(13,638)**

Cash Flow

The Cash Flow Statement has been restated for the PCC as follows due to the CIES being restated;

	Group Restated 31 March £000	Transferred to CC £000	PCC Restated 31 March £000
Net (surplus) or deficit on the provision of services	62,329	(65,303)	(2,974)
Adjustments to net surplus or deficit on the provision of services for non cash movements	(69,232)	65,303	(3,929)
Net Cash Inflows from Operating Activities	(6,903)	0	(6,903)
Investing Activities	7,080	0	7,080
Financing Activities	623	0	623
Net (Increase) / Decrease in Cash and Cash Equivalents	**800**	**0**	**800**
Cash and cash equivalents at the beginning of the reporting period	**19,882**	**0**	**19,882**
Cash and cash equivalents at the end of the reporting period	**19,082**	**0**	**19,082**

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 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

- 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 14 to 30, the Group 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.

- PFI recognition
    1. Norfolk and Suffolk have a significant number of assets including those under Private Finance Initiatives (PFI) arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI), and the capital and financing costs of the provision of those assets in the PCC accounts.
    2. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the CC have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the CC accounts including the service charges element of the PFI.

- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 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.

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

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

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

The PCC receives all funding on behalf of the Group; at no time, under the current arrangements, does the Chief Constable hold any cash or reserves. However, it is felt that to accurately represent the substance of the financial impact of the day-to-day control exercised by the Chief Constable over policing it is necessary to capture the costs associated with this activity in the Chief Constable's CIES. A consequence of this is that the employment liabilities associated with police officers and police staff 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 Group to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for expenditure and income. However, the nature of estimation means that actual outcomes could differ from estimates.

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

- Provisions – see note 19 on page 70 and 71
- LGPS and police pension actuarial assumptions - see note 34 and tables on pages 101 and 110
- Depreciation on buildings – see note 10 on page 56 to 61
- Council Tax Doubtful Debts – see note 39 and table on pages 114 and 115

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

7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30th 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 Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Group Usable Reserves 2013- 2014	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	4,506			(4,506)
Revaluation losses on Property, Plant and Equipment	867			(867)
Amortisation of intangible assets	236			(236)
Capital grants and contributions applied	(3,128)			3,128
Amounts on non current assets written off on disposal or sale as part of the gains or losses on disposal to the Comprehensive Income and Expenditure Statement	187			(187)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				0
Statutory provision for the financing of capital investment	(1,968)			1,968
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,631)		1,631	0
Application of grants to capital financing transferred to the Capital Adjustment Account	3,128		(3,128)	0
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement		334		(334)
Use of Capital Receipts Reserve to finance new capital expenditure		(334)		334

Group Usable Reserves 2013- 2014 (continued)	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11			(11)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	96,821			(96,821)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,603)			20,603
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(495)			495
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(42)			42
Total Adjustments	77,889	0	(1,497)	(76,392)

Comparative Group Usable Reserves 2012- 2013	**Restated General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Restated Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	4,843			(4,843)
Revaluation losses on Property, Plant and Equipment	236			(236)
Amortisation of intangible assets	262			(262)
Capital grants and contributions applied	(3,515)			3,515
Amounts on non current assets written off on disposal or sale as part of the gains or losses on disposal to the Comprehensive Income and Expenditure Statement	185			(185)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(2,486)			2,486
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,647)		1,647	0
Application of grants to capital financing transferred to the Capital Adjustment Account	3,515		(3,515)	0
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement		22		(22)
Use of Capital Receipts Reserve to finance new capital expenditure		(22)		22

Comparative Group Usable Reserves 2012- 2013 (continued)	**Restated General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Restated Movement in Unusable Reserves £000**
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	12			(12)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	85,971			(85,971)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,626)			20,626
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(32)			32
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(20)			20
Total Adjustments	66,698	0	(1,868)	(64,830)

PCC Usable Reserves 2013- 2014	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	4,506			(4,506)
Revaluation losses on Property, Plant and Equipment	867			(867)
Amortisation of intangible assets	236			(236)
Capital grants and contributions applied	(3,128)			3,128
Amounts on non current assets written off on disposal or sale as part of the gains or losses on disposal to the Comprehensive Income and Expenditure Statement	187			(187)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				0
Statutory provision for the financing of capital investment	(1,968)			1,968
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,631)		1,631	0
Application of grants to capital financing transferred to the Capital Adjustment Account	3,128		(3,128)	0
Adjustment primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement		334		(334)
Use of Capital Receipts Reserve to finance new capital expenditure		(334)		334

PCC Usable Reserves 2013- 2014 (continued)	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11			(11)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	154			(154)
Employer's pension contributions and direct payments to pensioners payable in the year	(89)			89
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(495)			495
Total Adjustments	1,778	0	(1,497)	(281)

Comparative PCC Usable Reserves 2012- 2013	**Restated General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Restated Movement in Unusable Reserves £000**
<u>Adjustments primarily involving the Capital Adjustment Account:</u>				
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	4,843			(4,843)
Revaluation losses on Property, Plant and Equipment	236			(236)
Amortisation of intangible assets	262			(262)
Capital grants and contributions applied	(3,515)			3,515
Amounts on non current assets written off on disposal or sale as part of the gains or losses on disposal to the Comprehensive Income and Expenditure Statement	185			(185)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(2,486)			2,486
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,647)		1,647	0
Application of grants to capital financing transferred to the Capital Adjustment Account	3,515		(3,515)	0
<u>Adjustment primarily involving the Capital Receipts Reserve:</u>				
Transfer of cash sale proceeds credited as part of the gains/losses on disposal to the Comprehensive Income and Expenditure Statement		22		(22)
Use of Capital Receipts Reserve to finance new capital expenditure		(22)		22

Comparative PCC Usable Reserves 2012- 2013 (continued)	**Restated General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Restated Movement in Unusable Reserves £000**
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	12			(12)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	75			(75)
Employer's pension contributions and direct payments to pensioners payable in the year	(53)			53
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(32)			32
Total Adjustments	1,395	0	(1,868)	473

9. TRANSFERS TO/FROM EARMARKED RESERVES

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

	Balance at 1 April 2012 £000	Transfers Out £000	Transfers In 2012-2013 £000	Balance at 31 March 2012-2013 £000	Transfers Out 2013-2014 £000	Transfers In 2013-2014 £000	Balance at 31 March 2014 £000
OCC Unitary Charge	**2,000**			**2,000**	(80)		**1,920**
PIC Unitary Charge	**456**			**456**	(18)		**438**
Insurance Reserve	**786**			**786**			**786**
Operational Contingency	**400**			**400**			**400**
Budget Support Reserve	**14,596**		4,925	**19,521**	(41)	2,302	**21,782**
Invest to Save Reserve	**2,000**			**2,000**			**2,000**
Job Evaluation Reserve	**3,200**			**3,200**			**3,200**
Safety Camera Reserve	**817**	(95)	472	**1,194**	(553)	539	**1,180**
PCC Reserve	**332**		207	**539**		120	**659**
Budget Management	**1,140**	(1,140)		**0**			**0**
TOTAL	**25,727**	**(1,235)**	**5,604**	**30,096**	**(692)**	**2,961**	**32,365**

OCC Unitary Charge

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

PIC Unitary Charge

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

Insurance Reserve

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

Operational Contingency

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

Budget Support Reserve

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

Invest to Save Reserve

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

Job Evaluation Reserve

To provide for the potential additional cost of regarding’s following the Job Evaluation review.

Safety Camera Reserve

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

PCC Reserve

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

Budget Management

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Comparative Group movements in 2012-2013	**Land and Buildings £000**	**Police Houses £000**	**Furniture Plant & Equipment £000**	**Vehicles £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total £000**	**PFI Assets Included £000**
Cost or Valuation								
At 1 April 2012	69,351	1,095	14,461	6,511	188	1,346	92,952	48,096
Additions	49		1,791	1,704		890	4,434	
Revaluation increases/(decreases) recognised in the Revaluation reserve	815	14					829	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(302)	6					(296)	
Derecognition - disposals			(729)	(532)			(1,261)	
Derecognition - other	(23)		(37)				(60)	
Assets reclassified from Assets under Construction to Operational Assets	0		1,207			(1,249)	(42)	
Assets reclassified (to)/from Held for sale	(300)	(275)					(575)	
At 31 March 2013	**69,590**	**840**	**16,693**	**7,683**	**188**	**987**	**95,981**	**48,096**

Comparative Group movements in 2012-2013 (continued)	Land and Buildings £000	Police Houses £000	Furniture Plant & Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included £000
Accumulated Depreciation and Impairment								
At 1 April 2012	6,203	26	7,919	3,403	1	0	17,552	2,465
Depreciation charge	1,487	20	2,352	919	2		4,780	1,204
Depreciation written out to the Revaluation Reserve	(221)	(10)					(231)	
Depreciation written out to the Surplus/Deficit on the Provision of Services	(60)						(60)	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services				5			5	
Derecognition - disposals			(706)	(411)			(1,117)	
Other movements in depreciation and impairment				(2)			(2)	
At 31 March 2013	**7,409**	**36**	**9,565**	**3,914**	**3**	**0**	**20,927**	**3,669**
Net Book Value								
at 31 March 2013	**62,181**	**804**	**7,128**	**3,769**	**185**	**987**	**75,054**	**44,427**
at 31 March 2012	**63,148**	**1,069**	**6,542**	**3,108**	**187**	**1,346**	**75,400**	**45,631**

Depreciation

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

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

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

Assets are depreciated over useful lives and are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the PCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.037m for every year that useful lives had to be reduced.

Capital Commitments

At 31 March 2014, the Group has entered contracts for the enhancement and replacement of vehicles and equipment in 2014-2015 and future years budgeted to cost £1.976m. Similar commitments at 31 March 2013 were £1.508m.

The major commitments are:

- Athena Regional Crime Management and Case Preparation system (replacement of system) - £0.862m
- ERP (Enterprise Resource Planning) T-Police system (replacement of system) - £0.916m
- Vehicle replacements - £0.122m

Revaluations

The Group carries out a rolling programme that ensures that all property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The external valuer, NPS Property Consultants Limited, has valued properties with an effective date of 31 March 2014. The valuation was carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment were carried out internally and based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

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

Group Vauations of Non-Current Assets	**Land and Buildings**	**Police Houses**	**Furniture Plant and Equipment**	**Vehicles**	**Surplus Assets**	**TOTAL**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	205		6,251	4,390		10,846
Valued at fair value as at						
31 March 2014	2,863				413	3,276
31 March 2013	3,228					3,228
31 March 2012	25,977					25,977
31 March 2011	7,251	787				8,038
31 March 2010	20,794					20,794
Total Valuation	**60,318**	**787**	**6,251**	**4,390**	**413**	**72,159**

The Assets under Construction of £1.560m as shown in the Property, Plant and Equipment table for 2013-14 (see Note 10 pages 56 and 57) have not been included in the programme for the valuation of non-current assets.

11. HERITAGE ASSETS

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

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

12. INTANGIBLE ASSETS

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

- Software licences were purchased for various IT systems during 2005-2006 which were being written off over 5 years. The life of these has been extended to 2012-2013 with the Innkeeper Licensing software being extended to 2013-2014.
- Software has been purchased during 2008-2009 for the Stores System and the Police National Database which are being written off over 5 years.
- Software has been purchased during 2009-2010 for the Casualty Reduction Partnership and Protective Services which are being written off over 5 years.
- Software has been purchased during 2010-2011 for a vetting database which are being written off over 5 years.
- Software has been purchased during 2011-2012 for the central control room, operational and performance databases and duties management which are being written off over 5 years. The operational and performance database has been disposed of during 2012-2013.
- Software has been purchased during 2012-2013 and 2013-2014 for central control room which is being written off over 10 years.

The carrying amount of intangible assets is amortised over a straight line basis. The amount of amortisation of £236k in 2013-2014 (£262k in 2012-2013) was charged to Corporate Capital financing cost centre and then absorbed as an overhead across the service headings in the Net Expenditure of Services within the Comprehensive Income and Expenditure Statement.

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

Group Intangible Assets	**Software Licences £000**	**Software Purchases £000**	**2013-2014 TOTAL £000**	**Software Licences £000**	**Software Purchases £000**	**2012-2013 TOTAL £000**
Balance at start of year						
- Gross carrying amount	95	1,166	**1,261**	270	1,168	**1,438**
- Accumulated Amortisation	(49)	(578)	**(627)**	(265)	(391)	**(656)**
Net carrying amount at start of year	46	588	**634**	5	777	**782**
Additions - Purchases		14	**14**	55	80	**135**
Assets reclassified from Assets under Construction		116	**116**		42	**42**
Derecognition		(14)	**(14)**	0	(63)	**(63)**
Amortisation for the period	(13)	(223)	**(236)**	(14)	(248)	**(262)**
Net carrying amount at end of year	**33**	**481**	**514**	**46**	**588**	**634**
Comprising:						
- Gross carrying amount	95	1,282	1,377	95	1,166	1,261
- Accumulated amortisation	(62)	(801)	(863)	(49)	(578)	(627)
	33	**481**	**514**	**46**	**588**	**634**

13. FINANCIAL INSTRUMENTS

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

Financial Instruments in Balance Sheet	Group Current 31 March 2014 £000	Group Current 31 March 2013 £000	Group Long Term 31 March 2014 £000	Group Long Term 31 March 2013 £000	PCC Current 31 March 2014 £000	PCC Current 31 March 2013 £000	PCC Long Term 31 March 2014 £000	PCC Long Term 31 March 2013 £000
Investments								
Loans and receivables	18,116	7,586			18,116	7,586		
	18,116	**7,586**	**0**	**0**	**18,116**	**7,586**	**0**	**0**
Debtors								
Balances as per Balance Sheet	6,910	10,939			6,910	10,939		
Balances relating to Council Tax	(2,006)	(1,522)			(2,006)	(1,522)		
Prepayments	(1,145)	(3,379)			(1,145)	(3,379)		
Loans and receivables	**3,759**	**6,038**	**0**	**0**	**3,759**	**6,038**	**0**	**0**
Borrowings								
Financial borrowings at amortised cost			13,161	13,161			13,161	13,161
	0	**0**	**13,161**	**13,161**	**0**	**0**	**13,161**	**13,161**
Other long term liabilities								
PFI finance lease liabilities	741	679	64,371	65,111	741	679	64,371	65,111
	741	**679**	**64,371**	**65,111**	**741**	**679**	**64,371**	**65,111**
Creditors								
Balances as per Balance Sheet	11,508	11,357	780	936	11,035	10,842	780	936
Balances relating to Council Tax	(865)	(876)			(865)	(876)		
Balances relating to PFI finance lease liabilities	(741)	(679)			(741)	(679)		
	9,902	**9,802**	**780**	**936**	**9,429**	**9,287**	**780**	**936**

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

Financial Instruments in Group and PCC CIES	2013-2014 Financial Liabilities at amortised cost £000	2013-2014 Loans and Receivables £000	2013-2014 Total £000	2012-2013 Financial Liabilities at amortised cost £000	2012-2013 Loans and Receivables £000	2012-2013 Total £000
Expense						
Interest Expense	765		765	774		774
PFI Interest	6,158		6,158	6,214		6,214
PFI Expense	669		669	590		590
Total in Surplus or Deficit on the provision of Services	**7,592**	**0**	**7,592**	**7,578**	**0**	**7,578**
Income						
Interest income		(287)	(287)		(274)	(274)
Total in Surplus or Deficit on the provision of Services	**7,592**	**(287)**	**7,305**	**7,578**	**(274)**	**7,304**

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2013 of 4.25% to 8.0% for loans from the PWLB
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount
- the carrying amount of the PFI liability is a reasonable estimate of fair value and the carrying amount of the relevant assets are valued according to the accounting policies S and T on pages 25 to 28.

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

Group Borrowing	31 March 2014 Carrying amount £000	31 March 2014 Fair value £000	31 March 2013 Carrying amount £000	31 March 2013 Fair value £000
PWLB fair value	**13,161**	**17,493**	**13,161**	**18,879**

14. INVENTORIES

Group and PCC Inventories	Uniform and Clothing 2013-2014 £000	Uniform and Clothing 2012-2013 £000	Vehicle Fuel and Oil 2013-2014 £000	Vehicle Fuel and Oil 2012-2013 £000	Total 2013-2014 £000	Total 2012-2013 £000
Balance outstanding at start of year	**260**	**267**	**35**	**38**	**295**	**305**
Purchases	290	294	1,620	1,796	1,910	2,090
Recognised as an expense in the year	(298)	(301)	(1,627)	(1,799)	(1,925)	(2,100)
Written off balances	(69)	0	0	0	(69)	0
Balance outstanding at year end	**183**	**260**	**28**	**35**	**211**	**295**

15. DEBTORS

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

Group Debtors	31 March 2014 £000	31 March 2013 £000
Central Government Bodies	1,358	4,169
Other Local Authorities	3,410	3,210
NHS Bodies	39	10
Other Entities and Individuals	2,103	3,550
Total Debtors	**6,910**	**10,939**

Amounts relating to the Council Tax accrued income (see note 39 on pages 114 and 115) are outside of accounting provisions as they are statutory debt and do not give rise from contracts. These amounts of £2.006m in 2013-2014 (£1.522m in 2012-2013) have been included within the ‘Other Local Authorities’ line above.

16. CASH AND CASH EQUIVALENTS

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

	31 March 2014 £000	Restated 31 March 2013 £000
Cash held by the PCC	7	6
Bank current accounts	93	80
Short term deposits with Banks and Building Societies	14,119	18,996
Total Cash and Cash equivalents	**14,219**	**19,082**

Fixed term deposits were placed with financial institutions as follows;

Period of Investment	Ceased Loans £000	Current Loans £000	Year end accrued interest £000	Balance Sheet value £000	Investment Institution
23.08.2012 to 24.05.2013	7,500				Lloyds
28.05.2013 to 27.05.2014		10,000	82	10,082	Lloyds
14.08.2013 to 13.08.2014		8,000	34	8,034	Natwest
14.08.2013 to 14.02.2014	8,000				Nationwide
Balance as at 31 March 2014		**18,000**	**116**	**18,116**	

17. ASSETS HELD FOR SALE

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

	Current Assets 2013-2014 £000	Current Assets 2012-2013 £000
Balance outstanding at start of year	575	0
Assets newly classified as held for sale:	325	
- Property, Plant and Equipment		575
Revaluation gains	12	
Assets sold	(287)	
Transfers to non current assets	(300)	
Balance outstanding at year end	325	575

18. CREDITORS

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

	Group		PCC	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	Restated 31 March 2013 £000
Current Creditors				
Central Government Bodies	3,124	2,765	3,124	2,765
Other Local Authorities	2,951	2,417	2,951	2,417
NHS bodies	51	5	51	5
Public Corporations and Trading Funds	0	8	0	8
Other Entities and Individuals	5,382	6,162	4,909	5,647
Total Current Creditors	**11,508**	**11,357**	**11,035**	**10,842**
Long Term Creditors				
Other Local Authorities	780	936	780	936
Total Long Term Creditors	**780**	**936**	**780**	**936**
Total Creditors	**12,288**	**12,293**	**11,815**	**11,778**

Amounts relating to the Council Tax accrued income (see note 39 on pages 114 and 115) are outside of accounting provisions as they are statutory debt and do not give rise from contracts. These amounts of £0.865m in 2013-2014 (£0.876m in 2012-2013) have been included within the 'Other Local Authorities' line above.

Following the Local Government reorganisation in 1974, outstanding borrowing on functions transferred to the Police Authority from the County Council remained with the County Council, but the costs of repaying the loans are charged to the Group. The total debt due to be paid by the PCC at 31 March 2014 is £0.936m of which £0.156m is due to be paid within one year.

Included in creditors are the following amounts relating to the liability which is due to be settled within one year for the PFI as shown in note 32 on pages 97 to 100.

- OCC £266,572 (£237,942 in 2012-2013)
- PIC £474,051 (£441,145 in 2012-2013).

19. PROVISIONS

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

	Insurance £000	Compensation £000	Workforce Modernisation £000	Pension £000	Total £000
Balance as at 1 April 2013	**535**	**22**	**5**	**475**	**1,037**
Additional provisions made in 2013-2014	433	7	181	75	**696**
Amounts used in 2013-2014	(223)	(4)	(5)	(310)	**(542)**
Unused amounts reversed in 2013-2014	(216)	(18)	0	0	**(234)**
Balance at 31 March 2014	**529**	**7**	**181**	**240**	**957**
Current Liabilities	315	7	181	240	**743**
Long Term Liabilities	214	0	0	0	**214**

Insurance

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

Compensation

The Provision balance as at 31 March 2013 was to provide for five new cases, one of which was in respect of a third party dispute which were all settled during 2013-2014. The balance as at 31 March 2014 is to provide for two new cases. As these cases are subject to legal and other investigative proceedings no further details can be provided.

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

Workforce Modernisation

The provision balance as at 31 March 2013 was to provide for pension strain and redundancy payment for one member of staff who was given redundancy notice following a workforce modernisation programme during 2012-2013 but who did not leave the Constabulary until after 1 April 2013. The balance as at 31 March 2014 is to provide for nine members of staff given notice prior to 1 April 2014 but who will not leave the Constabulary until after 1 April 2014.

Pension

A provision balance of £73k as at 31 March 2013 was to provide for the lump sum capital payment for a police officer given notice of ill-health retirement prior to 1 April 2013 but who did not leave the Constabulary until after 1 April 2013.

A balance of £75k as at 31 March 2014 is to provide for a police officer who has been given notice of ill-health retirement prior to 1 April 2014 but who will not leave the Constabulary until after 1 April 2014. An amount of £75k has been provided for the lump sum capital payment.

A provision of £402k has been made to cover the tax liability on pension commutation for two members of staff who were re-employed by the Constabulary following retirement as police officers. The liability is subject to agreement with HMRC. This agreement has still to be finalised although some payments have been made during the year. The balance has now reduced to £165k.

20. USABLE RESERVES

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement on pages 1 to 4 and note 9 to the accounts on page 54 and 55.

21. UNUSABLE RESERVES

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

Unusable Reserves	Group 31 March 2014 £000	Group Restated 31 March 2013 £000	PCC 31 March 2014 £000	PCC Restated 31 March 2013 £000
Revaluation Reserve	3,905	3,913	3,905	3,913
Capital Adjustment Account	(18,371)	(17,755)	(18,371)	(17,755)
Financial Instruments Adjustment Account	63	74	63	74
Collection Fund Adjustment Account	1,141	646	1,141	646
Accumulated Absences Account	(473)	(515)	0	0
Pensions Reserve	(1,295,834)	(1,332,835)	(428)	(516)
Total Unusable Reserves	**(1,309,569)**	**(1,346,472)**	**(13,690)**	**(13,638)**

Revaluation Reserve

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

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

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

Revaluation Reserve	Group				PCC			
	2013-2014 £000		2012-2013 £000		2013-2014 £000		2012-2013 £000	
Balance at 1 April		**3,913**		**2,925**		**3,913**		**2,925**
Difference between fair value depreciation and historical cost depreciation	127		988		127		988	
Accumulated gains on assets sold or scrapped	(135)		0		(135)		0	
Amount written off to the Capital Adjustment Account		**(8)**		**988**		**(8)**		**988**
Balance at 31 March		**3,905**		**3,913**		**3,905**		**3,913**

Capital Adjustment Account

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

The Account contains gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. It also contains gains recognised as donated assets that have yet to be consumed by the Group. Note 8 on pages 44 to 53 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	Group 2013-2014 £000		Group 2012-2013 £000		PCC 2013-2014 £000		PCC 2012-2013 £000	
Balance at 1 April		**(17,755)**		**(18,302)**		**(17,755)**		**(18,302)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(4,506)		(4,843)		(4,506)		(4,843)	
Revaluation losses on Property, Plant and Equipment	(867)		(236)		(867)		(236)	
Amortisation of Intangible Assets	(236)		(262)		(236)		(262)	
Revenue expenditure funded from capital under statute								
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(521)		(207)		(521)		(207)	
	(6,130)		(5,548)		(6,130)		(5,548)	
Reserve	84		72		84		72	
Amount written off to the Capital Adjustment Account		**(6,046)**		**(5,476)**		**(6,046)**		**(5,476)**
Capital financing applied in the year:								
Use of the Capital Receipts Reserve to finance new capital expenditure	334		22		334		22	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,631		1,647		1,631		1,647	
Application of grants to capital financing from the Capital Grants Unapplied Account	1,497		1,868		1,497		1,868	
Statutory provision for the financing of capital investment charged against the General Fund	1,500		1,455		1,500		1,455	
Capital expenditure charged against the General Fund	468		1,031		468		1,031	
		5,430		**6,023**		**5,430**		**6,023**
Balance at 31 March		**(18,371)**		**(17,755)**		**(18,371)**		**(17,755)**

<u>Financial Instruments Adjustment Account</u>

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Group uses the Account to manage discounts received on the early redemption of loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are received, but reversed to the General Fund Balance from the Account in the Movement in Reserves Statement. Over time, the income is posted from the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Groups case, this period is 10 years from when the loan was redeemed. As a result, the balance on the Account at 31 March 2014 will be recovered from the General Fund during the next 6 years.

Financial Instruments Adjustment Account	**Group**		**PCC**	
	2013-2014 £000	**2012-2013 £000**	**2013-2014 £000**	**2012-2013 £000**
Balance at 1 April	**74**	**86**	**74**	**86**
Discounts allowed in the year charged to the Comprehensive Income and Expenditure Statement		0		0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(11)	(12)	(11)	(12)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(11)**	**(12)**	**(11)**	**(12)**
Balance at 31 March	**63**	**74**	**63**	**74**

<u>Collection Fund Adjustment Account</u>

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

Collection Fund Adjustment Account	Group 2013-2014 £000	Group 2012-2013 £000	PCC 2013-2014 £000	PCC 2012-2013 £000
Balance at 1 April	**646**	**614**	**646**	**614**
Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	495	32	495	32
Balance at 31 March	**1,141**	**646**	**1,141**	**646**

Accumulated Absences Account

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

	Group	£000		£000
Balance at 1 April		**(515)**		**(535)**
the preceding year	515		535	
Amounts accrued at the end of the current year	(473)		(515)	
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**
Balance at 31 March		**(473)**		**(515)**

Pensions Reserve

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

	Group		PCC	
Pensions Reserve	**2013-2014 £000**	**Restated 2012-2013 £000**	**2013-2014 £000**	**Restated 2012-2013 £000**
Balance at 1 April	**(1,332,835)**	**(1,133,118)**	**(516)**	**(359)**
Actuarial gains and (losses) on pension assets and liabilities	113,219	(134,372)	153	(135)
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	(96,821)	(85,971)	(154)	(75)
Employer's pension contributions and direct payments to pensioners payable in the year	20,603	20,626	89	53
Balance at 31 March	**(1,295,834)**	**(1,332,835)**	**(428)**	**(516)**

22. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

	Group				PCC			
	2013-14		Restated 2012-13		2013-14		Restated 2012-13	
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Adjustments for non cash or cash equivalent items within deficit on provision of services;								
Depreciation & impairment of fixed assets	(5,609)		(5,341)		(5,609)		(5,341)	
Pension cost adjustment from IAS19	(76,071)		(64,635)		82		688	
Internal capital movement met from revenue	(1,077)		(1,152)		(1,077)		(1,152)	
Other movements	804		313		804		313	
Contributions (to) / from provisions	80		446		80		446	
Increase / (decrease) Inventories	(84)		(10)		(84)		(10)	
Increase / (decrease) Debtors	(4,029)		464		(4,029)		464	
(Increase) / decrease Creditors	5		683		(37)		663	
		(85,981)		**(69,232)**		**(9,870)**		**(3,929)**
The cash flows for operating ativities include;								
Interest Received		(287)		(274)		(287)		(274)
Interest Paid		765		774		765		774
PFI Capital Interest and Contingent Rent		6,827		6,804		6,827		6,804

23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

Group and PCC	2013-2014 £000	2012-2013 £000
Purchase of property, plant and equipment and intangible assets	4,349	4,569
Proceeds from the sale of property, plant and equipment and intangible assets	(334)	(22)
Purchase of short term investments	18,000	7,500
Proceeds from short term investments	116	86
Other receipts from investing activities	(7,586)	(5,053)
Net cash flow from investing activities	**14,545**	**7,080**

24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Group and PCC	2013-2014 £000	2012-2013 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases in balance sheet for PFI contracts	679	623
Net cash flows from financing activities	**679**	**623**

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

Income and Expenditure 2013-2014	**Commissioner**	**Chief Constable**				**Group**
	Office of Police & Crime Commissioner £000	**Joint Collaborative Units £000**	**Commands & Support £000**	**Departments £000**	**Corporate £000**	**Total £000**
Fees, charges and other service income	0	(688)	(2,787)	(396)	(2,185)	**(6,056)**
Government grants	(28)	(41)	(322)	(13)	(10,298)	**(10,702)**
Other grants & contributions	(38)	0	(549)	(19)	0	**(606)**
Total Income	**(66)**	**(729)**	**(3,658)**	**(428)**	**(12,483)**	**(17,364)**
Employee expenses	1,065	39,496	78,828	3,265	4,928	**127,582**
Other service expenses	1,158	11,613	4,522	7,145	12,862	**37,300**
Total Expenditure	**2,223**	**51,109**	**83,350**	**10,410**	**17,790**	**164,882**
Net Expenditure	**2,157**	**50,380**	**79,692**	**9,982**	**5,307**	**147,518**
Transfers to / (from) Reserves	**2,269**					**2,269**
Net Expenditure	**4,426**	**50,380**	**79,692**	**9,982**	**5,307**	**149,787**

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.

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

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

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

	2013-2014 £ 000	**2012-2013 £ 000**
Net expenditure in the Analysis	149,787	145,870
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	23,681	14,875
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(8,171)	(10,819)
Net Cost of Policing in Comprehensive Income and Expenditure Statement	**165,297**	**149,926**

Group Reconciliation to Subjective Analysis

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

2013-2014	Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	**Net Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges and other service income	(5,769)	0	0	**(5,769)**	0	**(5,769)**
Interest and investment income	(287)	0	287	**0**	(287)	**(287)**
Income from council tax	0	0	0	**0**	(53,547)	**(53,547)**
Government grants and contributions	(11,308)	0	3,360	**(7,948)**	(101,726)	**(109,674)**
Total Income	**(17,364)**	**0**	**3,647**	**(13,717)**	**(155,560)**	**(169,277)**
Employee expenses	127,582	18,072	0	**145,654**	58,104	**203,758**
Other service expenses	38,804	0	(11,053)	**27,751**	6,827	**34,578**
Depreciation, amortisation and impairment	0	5,609	0	**5,609**	0	**5,609**
Interest payments	765	0	(765)	**0**	765	**765**
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	**0**	187	**187**
Total Expenditure	**167,151**	**23,681**	**(11,818)**	**179,014**	**65,883**	**244,897**
Surplus or deficit on the provision of services	**149,787**	**23,681**	**(8,171)**	**165,297**	**(89,677)**	**75,620**

2012-2013 Comparator Restated	Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	**Net Cost of Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges and other service income	(5,944)	0	0	**(5,944)**	0	**(5,944)**
Interest and investment income	(274)	0	274	**0**	(274)	**(274)**
Income from council tax	0	0	0	**0**	(59,773)	**(59,773)**
Government grants and contributions	(14,337)	0	3,328	**(11,009)**	(91,104)	**(102,113)**
Total Income	**(20,555)**	**0**	**3,602**	**(16,953)**	**(151,151)**	**(168,104)**
Employee expenses	126,796	9,534	0	**136,330**	55,791	**192,121**
Other service expenses	38,855	0	(13,647)	**25,208**	6,804	**32,012**
Depreciation, amortisation and impairment	0	5,341	0	**5,341**	0	**5,341**
Interest payments	774	0	(774)	**0**	774	**774**
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	**0**	185	**185**
Total Expenditure	**166,425**	**14,875**	**(14,421)**	**166,879**	**63,554**	**230,433**
Surplus or deficit on the provision of services	**145,870**	**14,875**	**(10,819)**	**149,926**	**(87,597)**	**62,329**

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

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

	2013-2014 £000	**Restated 2012-2013 £000**
Net expenditure in the Analysis	4,426	5,426
Movement between PCC/CC outturn	3,035	4,444
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,637	5,346
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(8,171)	(10,819)
Cost of Policing Services in Comprehensive Income and Expenditure Statement	**4,927**	**4,397**

PCC Reconciliation to Subjective Analysis

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

2013-2014	Reported to Management £000	Movements between PCC/CC £000	Restated Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	**Cost of Policing Services £000**	Corporate Amounts £000	**Total £000**
Fees, charges and other service income	0	(236)	(236)	0	0	**(236)**	0	**(236)**
Interest and investment income	0	(287)	(287)	0	287	**0**	(287)	**(287)**
Income from council tax	0	0	0	0	0	**0**	(53,547)	**(53,547)**
Government grants and contributions	(66)	(7,477)	(7,543)	0	3,360	**(4,183)**	(101,726)	**(105,909)**
Total Income	**(66)**	**(8,000)**	**(8,066)**	**0**	**3,647**	**(4,419)**	**(155,560)**	**(159,979)**
Employee expenses	1,065	342	1,407	28	0	**1,435**	37	**1,472**
Other service expenses	3,427	9,928	13,355	0	(11,053)	**2,302**	6,827	**9,129**
Depreciation, amortisation and impairment	0	0	0	5,609	0	**5,609**	0	**5,609**
Interest payments	0	765	765	0	(765)	**0**	765	**765**
Precepts and levies	0	0	0	0		**0**	0	**0**
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	0	0	**0**	187	**187**
Total Expenditure	**4,492**	**11,035**	**15,527**	**5,637**	**(11,818)**	**9,346**	**7,816**	**17,162**
Intra Group Adjustment							**142,326**	**142,326**
Surplus or deficit on the provision of services	**4,426**	**3,035**	**7,461**	**5,637**	**(8,171)**	**4,927**	**(5,418)**	**(491)**

2012-2013 Comparator Restated	Reported to Management £000	Movements between PCC/CC £000	Restated Service Analysis £000	Not reported to management £000	Not included in Net Cost Services £000	**Cost of Policing Services £000**	Corporate Amounts £000	**Restated Total £000**
Fees, charges and other service income	(1)	(108)	(109)	0	0	**(109)**	0	**(109)**
Interest and investment income	0	(274)	(274)	0	274	**0**	(274)	**(274)**
Income from council tax	0	0	0	0	0	**0**	(59,773)	**(59,773)**
Government grants and contributions	0	(6,776)	(6,776)	0	3,328	**(3,448)**	(91,104)	**(94,552)**
Total Income	**(1)**	**(7,158)**	**(7,159)**	**0**	**3,602**	**(3,557)**	**(151,151)**	**(154,708)**
Employee expenses	588	262	850	5	0	**855**	17	**872**
Other service expenses	4,839	10,566	15,405	0	(13,647)	**1,758**	6,804	**8,562**
Depreciation, amortisation and impairment	0	0	0	5,341	0	**5,341**	0	**5,341**
Interest payments	0	774	774	0	(774)	**0**	774	**774**
Precepts and levies	0	0	0	0		**0**	0	**0**
Gains and losses on Disposal of Property, Plant and Equipment	0	0	0	0	0	**0**	185	**185**
Total Expenditure	**5,427**	**11,602**	**17,029**	**5,346**	**(14,421)**	**7,954**	**7,780**	**15,734**
Intra Group Adjustment							**136,000**	**136,000**
Surplus or deficit on the provision of services	**5,426**	**4,444**	**9,870**	**5,346**	**(10,819)**	**4,397**	**(7,371)**	**(2,974)**

26. OFFICERS' REMUNERATION

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

Postholder information	Year	Salary, Fees and Allces £	Bonuses £	Expense Allces £	Benefits in Kind £	Total Excl. Pension Contribs £	Employer's Pension Contribs £	Total Incl. Pension Contributions £
Police & Crime Commissioner - Stephen Bett	2013-14	70,000	0	300	0	**70,300**	11,480	**81,780**
Elected 22 November 2012	2012-13	25,083	0	70	0	**25,153**	4,114	**29,267**
Deputy Police & Crime Commissioner	2013-14	56,327	0	270	0	**56,597**	9,238	**65,835**
Jenny McKibben - Appointed 17 December 2012	2012-13	16,258	0	0	0	**16,258**	2,666	**18,924**
Chief Executive - Appointed 21.10.13	2013-14	35,022	0	46	0	**35,068**	5,744	**40,812**
Head of Staff - Retired 30.11.13	2013-14	75,133	0	67	6,337	**81,537**	12,322	**93,859**
	2012-13	111,975	0	92	11,248	**123,315**	18,318	**141,633**
Chief Finance Officer - Appointed 02.01.14	2013-14	11,803	0	0	0	**11,803**	0	**11,803**
Chief Finance Officer - Retired 09.02.14	2013-14	44,343	0	0	0	**44,343**	0	**44,343**
(works 22.5 hrs/week)	2012-13	51,151	0	0	0	**51,151**	0	**51,151**

The remuneration paid to senior police officers and staff designated as ACPO officers within the Constabulary are shown in the following table;

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

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 40 on page 115 and 116). 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);

OPPCN Remuneration band	2013-2014 Number of Employees	2012-2013 Number of Employees
£50,000 - £54,999	0	1
£55,000 - £59,999	1	0
£70,000 - £74,999	1	0
£80,000 - £84,999	1	0
£120,000 - £124,999	0	1

Group Remuneration band	2013-2014 Number of Employees	2012-2013 Number of Employees
£50,000 - £54,999	7	9
£55,000 - £59,999	6	2
£65,000 - £69,999	1	2
£70,000 - £74,999	1	0
£75,000 - £79,999	2	2
£80,000 - £84,999	4	2
£85,000 - £89,999	0	1
£90,000 - £94,999	2	2
£95,000 - £99,999	0	1
£105,000 - £109,999	2	0
£100,000 - £104,999	0	1
£110,000 - £114,999	1	1
£120,000 - £124,999	0	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 34 on pages 101 to 110.

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.

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

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

Group Exit Package cost band (including special payments)	Number of Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
£0 - £20,000	9	20	0	1	9	21	73	146
£20,001 - £40,000	2	0	1	0	3	0	78	0
£40,001- £60,000	2	1	0	0	2	1	93	60
£60,001- £80,000	1	0	0	0	1	0	66	0
£100,001- £150,000	1	0	0	0	1	0	147	0
Total	**15**	**21**	**1**	**1**	**16**	**22**	**457**	**206**

PCC Exit Package cost band (including special payments)	Number of Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
£0 - £20,000	2	0	0	0	2	0	20	0
£40,001- £60,000	2	0	0	0	2	0	93	0
£100,001- £150,000	1	0	0	0	1	0	147	0
Total	**5**	**0**	**0**	**0**	**5**	**0**	**260**	**0**

27. 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 PCC and Group. The audit prior to November 2012 was provided to the Norfolk Police Authority by The Audit Commission who have made a rebate to the Group during 2013-2014 relating to the previous year's audit.

	Group		**PCC**	
	Planned Fees 2013-2014 £	**Actual Fees 2012-2013 £**	**Planned Fees 2013-2014**	**Actual Fees 2012-2013**
Fees payable with regard to external audit services carried out by the appointed auditor for the year;				
Fees payable in respect of statutory inspections of the Financial Statements	**65,100**	**70,000**	**45,100**	**50,000**

28. GRANT INCOME

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

Group and PCC Grant Income	**2013-2014 £000**	**2012-2013 £000**
Credited to Taxation and Non Specific Grant Income		
Other Government Grants		
PFI Grant OCC	3,346	3,309
Loan Charges Grant	14	19
Total	**3,360**	**3,328**
Capital Grants and Contributions		
Capital Grant	1,235	1,377
NPIA Grant	(2)	73
HO Capital Contributions	258	120
Local Authority Partnership	117	49
Other Organisations	23	28
Total	**1,631**	**1,647**

	Group		PCC	
Grant Income	**2013-2014 £000**	**2012-2013 £000**	**2013-2014 £000**	**Restated 2012-2013 £000**
Credited to Services				
Neighbourhood Policing Fund *	0	3,933		
PFI Grant PICs	3,448	3,448	3,448	3,448
Single Counter Terrorism Grant	2,822	2,335		
Community Safety Fund	669	0	669	0
Partnership Funding	573	680	38	0
Criminal Records Bureau	310	373		
Other smaller grants	92	157	27	0
Sponsorship and Donations	32	83		
Total	**7,946**	**11,009**	**4,182**	**3,448**
* included in main police grant from 2013-2014				

29. RELATED PARTIES

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

Central Government
Central Government has significant influence over the general operations of the Group. It is responsible for providing the statutory framework, within which the Group operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in note 25 on pages 80 to 88 on reporting for resources allocation decisions.

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

Other Public Bodies
These include Norfolk County Council and the seven District Councils. Material transactions with these organisations are included elsewhere in the accounts.

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Group Capital Financing Requirement	**2013-2014 £000**	**2012-2013 £000**
Opening Capital Financing Requirement	90,104	91,559
Capital Investment		
Property, Plant and Equipment	4,335	4,434
Intangible Assets	14	135
Sources of Finance		
Capital receipts	(334)	(22)
Government Grants & Other Contributions	(3,128)	(3,515)
Sums set aside from revenue:		
Direct revenue contributions	(468)	(1,032)
Minimum Revenue Provision	(1,344)	(1,297)
Other Adjustments		
Transferred Debt Repayment	(156)	(158)
Closing Capital Financing Requirement	**89,023**	**90,104**
Explanation of Movements in Year		
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,081)	(1,455)
Increase/(decrease) in Capital Financing Requirement	**(1,081)**	**(1,455)**

31. LEASES

Group as Lessee

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

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £678,702 (£682,465 in 2012-2013).

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

	31 March 2014 £000	31 March 2013 £000
No later than one year	714	656
Later than one year and not later than five years	1,689	2,008
Later than five years	817	1,020
Operating leases as Lessee	**3,220**	**3,684**

Group as Lessor

The Group has granted several leases on properties which have been accounted for as operating leases. The total rentals receivable in 2013-2014 was £42,857 (£42,756 in 2012-2013).

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

	31 March 2014 £000	31 March 2013 £000
No later than one year	25	22
Later than one year and not later than five years	29	25
Later than five years	19	25
Operating leases as Lessor	**73**	**72**

This income relates to 7 leases for which only part of a property is being leased.

32. PRIVATE FINANCE INITIATIVES

1. Operations and Communications Centre at Wymondham

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

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

The assets used to provide the accommodation are recognised on the Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance at note 10 on pages 56 to 61.

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

	Group				PCC		
	Payment of Services	Repayment of Capital Expenditure	Interest	Total	Repayment of Capital Expenditure	Interest	Restated Total
	£000	£000	£000	£000	£000	£000	£000
Payable in 2014-2015	1,336	267	3,462	5,065	267	3,462	3,729
Payable within 2 to 5 years	5,247	1,428	13,587	20,262	1,428	13,587	15,015
Payable within 6 to 10 years	7,214	2,991	15,122	25,327	2,991	15,122	18,113
Payable within 11 to 15 years	7,597	5,278	12,452	25,327	5,278	12,452	17,730
Payable within 16 to 20 years	8,295	9,316	7,716	25,327	9,316	7,716	17,032
Payable within 21 to 23 years	4,859	7,837	330	13,026	7,837	330	8,167
Total	**34,548**	**27,117**	**52,669**	**114,334**	**27,117**	**52,669**	**79,786**

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

	2013-2014 £000	2012-2013 £000
Balance outstanding at start of year	27,355	27,568
Payments during the year	238	213
Balance outstanding at year-end	**27,117**	**27,355**

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

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

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

The amounts given in the above table shows the proportion and value of the PIC land owned which is held on the Balance Sheet as at 31 March 2014.

The PFI contract for the 6 PIC's within Norfolk and Suffolk was signed on 23 February 2010. Cambridgeshire is no longer a party to this agreement but has agreed to reimburse Norfolk for the use of one third of the King's Lynn PIC. The total paid by Cambridgeshire in 2013-2014 for the unitary charge and running costs was £671k (£647k in 2012-2013).

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

The below table identifies the PIC and the percentage to be held on each Balance Sheet with the value being that held on the Norfolk Balance Sheet in 2013-2014.

PIC	Service Commencement Date	Norfolk % on Balance Sheet	Suffolk % on Balance Sheet	Balance Sheet £000
Aylsham	28.02.2011	100	0	5,131
Wymondham	04.04.2011	100	0	9,283
Kings Lynn	25.04.2011	100	0	7,980
Ipswich	06.06.2011	0	100	0
Bury St. Edmunds	04.07.2011	33.33	66.67	3,159
Gt. Yarmouth	07.11.2011	50	50	4,049

Movements in the asset value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance at note 10 on pages 56 to 61.

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

Norfolk and Suffolk Group have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the 6 properties located in the 2 Counties - this being Norfolk 58.2% and Suffolk 41.8%. The payment made by the Group during 2013-2014 was £4.710 million (£4.312m in 2012-2013).

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

	Group				PCC		
	Payment of Services	Repayment of Capital Expenditure	Interest	Total	Repayment of Capital Expenditure	Interest	Restated Total
	£000	£000	£000	£000	£000	£000	£000
Payable in 2014-2015	1,257	474	3,386	**5,117**	474	3,386	**3,860**
Payable within 2 to 5 years	6,928	2,277	11,726	**20,931**	2,277	11,726	**14,003**
Payable within 6 to 10 years	9,368	3,942	13,987	**27,297**	3,942	13,987	**17,929**
Payable within 11 to 15 years	12,789	5,649	10,272	**28,710**	5,649	10,272	**15,921**
Payable within 16 to 20 years	13,847	8,094	8,369	**30,310**	8,094	8,369	**16,463**
Payable within 21 to 25 years	13,773	11,598	6,748	**32,119**	11,598	6,748	**18,346**
Payable within 26 to 27 years	8,167	5,960	(1,295)	**12,832**	5,960	(1,295)	**4,665**
Total	**66,129**	**37,994**	**53,193**	**157,316**	**37,994**	**53,193**	**91,187**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

	2013-2014	2012-2013
	£000	£000
Balance outstanding at start of year	38,435	38,846
Payments during the year	441	411
Balance outstanding at year-end	**37,994**	**38,435**

33. TERMINATION BENEFITS

The Group terminated the contracts of 16 employees in 2013-2014 (22 in 2012-2013), incurring liabilities of £457k (£206k in 2012-2013). See Note 26 on page 92, for the number of exit packages and total cost per band.

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

34. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The principal schemes in operation are:

- Uniformed Police Officers - There are two schemes both of which are unfunded, defined benefit schemes. This means there are no investment assets built up to meet the pension's liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Benefits payable are funded by contributions from employers and employees, and any difference between benefits payable and contributions receivable is met by top up grant from the Home Office. Details of the schemes can be found in the supplementary statement on pages 119 to 121.

- Other Employees - Pensions to police staff are provided from the Local Government Pension Scheme administered by Norfolk Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Group and employees pay contributions into a fund calculated at a level intended to balance the pension's liabilities with investment assets. Employer's contributions, at rates advised by the Fund's actuary, are charged to revenue as incurred. Where employees are allowed to retire early, the employer is required to reimburse the Pension Fund in respect of the additional costs (strain) that arise from early retirement. The costs are paid in full at the date of retirement.

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

Transactions Relating to Retirement Benefits

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

	Group										PCC	
	Local Government Pension Scheme		Police Pension Scheme 2013-2014				Police Pension Scheme Restated 2012-2013				Local Government Pension Scheme	
	2013-2014	Restated 2012-2013	Old Scheme	Injury Award	New Scheme	Total	Old Scheme	Injury Award	New Scheme	Restated Total	2013-2014	Restated 2012-2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement												
Net Cost of Services:												
- Current service cost	7,251	5,526	23,940	1,160	6,320	31,420	20,070	970	3,480	24,520	117	57
- Past service cost	6	114	0	40	0	40	0	20	0	20	0	1
Financing and Investment Income and Expenditure												
- Net interest expense	2,314	1,701	50,910	2,630	2,250	55,790	49,890	2,540	1,660	54,090	37	17
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	9,571	7,341	74,850	3,830	8,570	87,250	69,960	3,530	5,140	78,630	154	75
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)	(1,865)	(9,177)	0	0	0	0	0	0	0	0	(30)	(94)
- Actuarial gains and losses arising on changes in demographic assumptions	4,630	0	(300)	50	(80)	(330)	(230)	0	0	(230)	75	0
- Actuarial gains and losses arising on changes in financial assumptions	(16,629)	22,549	(35,690)	(1,290)	(3,460)	(40,440)	177,450	6,270	6,920	190,640	(268)	230
- Other	4,361	(157)	(42,678)	(23,080)	2,812	(62,946)	(74,105)	570	4,282	(69,253)	70	(2)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**68**	**20,556**	**(3,818)**	**(20,490)**	**7,842**	**(16,466)**	**173,075**	**10,370**	**16,342**	**199,787**	**1**	**209**
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	(9,571)	(7,341)	(74,850)	(3,830)	(8,570)	(87,250)	(69,960)	(3,530)	(5,140)	(78,630)	(154)	(75)
Actual amount charged against the General Fund Balance for pensions in the year:												
- Employers' contributions payable to scheme	5,529	5,179									89	53
- 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 Group's obligation in respect of the defined benefits plan is as follows:

	Group				PCC	
	Local Government Pension Scheme		Police Pension Scheme		Local Government Pension Scheme	
	2013-2014 £000	Restated 2012-2013 £000	2013-2014 £000	Restated 2012-2013 £000	2013-2014 £000	Restated 2012-2013 £000
Present value of defined benefit obligation	(180,692)	(174,392)	(1,250,700)	(1,282,240)	(1,880)	(1,779)
Fair value of plan assets	135,558	123,797	0	0	1,452	1,263
Net liability arising from defined benefit obligation	**(45,134)**	**(50,595)**	**(1,250,700)**	**(1,282,240)**	**(428)**	**(516)**

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

	Group				**PCC**	
	Funded Assets Local Government Pension Scheme		**Unfunded Assets Police Pension Scheme**		**Funded Assets Local Government Pension Scheme**	
		Restated		**Restated**		**Restated**
	2013-2014 £000	**2012-2013 £000**	**2013-2014 £000**	**2012-2013 £000**	**2013-2014 £000**	**2012-2013 £000**
Opening fair value of scheme assets	123,797	105,573	0	0	1,263	1,077
Interest income	5,661	5,160			91	53
Remeasurement gain/(loss):						
- the return on plan Assets, excluding the amount included in the net interest expense	1,865	9,177	0	0	30	94
- other			14,406	15,373		
The effect of changes in foreign exchange rates						
Contributions from employer	5,529	5,179	15,074	15,447	89	53
Contributions from employees into the scheme	2,061	2,032	7,250	6,630	33	21
Benefits paid	(3,355)	(3,324)	(36,730)	(37,450)	(54)	(34)
Closing fair value of scheme assets	**135,558**	**123,797**	**0**	**0**	**1,452**	**1,263**

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

	Group				PCC	
	Funded Liabilities Local Government Pension Scheme		**Unfunded Liabilities Police Pension Scheme**		**Funded Liabilities Local Government Pension Scheme**	
	2013-2014 £000	**Restated 2012-2013 £000**	**2013-2014 £000**	**Restated 2012-2013 £000**	**2013-2014 £000**	**Restated 2012-2013 £000**
Opening balance at 1 April	(174,392)	(140,791)	(1,282,240)	(1,097,900)	(1,779)	(1,436)
Current service costs	(7,251)	(5,526)	(31,420)	(24,520)	(117)	(56)
Interest cost	(7,975)	(6,861)	(55,790)	(54,090)	(128)	(70)
Remeasurement (gains) and losses:						
- Actuarial gains/losses arising from changes in demographic assumptions	(4,630)	0	330	230	(75)	0
- Actuarial gains/losses arising from changes in financial assumptions	16,629	(22,549)	40,440	(190,640)	268	(230)
- Other	(4,361)	157	48,540	53,880	(70)	2
Past service cost	(6)	(114)	(40)	(20)	(0)	(1)
Losses/(gains) on curtailment (where relevant)						
Liabilities assumed on entity combinations	(2,061)	(2,032)	(7,250)	(6,630)	(33)	(21)
Benefits paid	3,355	3,324	36,730	37,450	54	34
Liabilities extinguished on settlements (where relevant)						
Closing fair value of scheme assets	**(180,692)**	**(174,392)**	**(1,250,700)**	**(1,282,240)**	**(1,880)**	**(1,779)**

Total of assets and liabilities of the schemes

	Group				PCC	
	Local Government Pension Scheme		Police Pension Scheme		Local Government Pension Scheme	
	2013-2014 £000	Restated 2012-2013 £000	2013-2014 £000	Restated 2012-2013 £000	2013-2014 £000	Restated 2012-2013 £000
Opening balance at 1 April	(50,595)	(35,218)	(1,282,240)	(1,097,900)	(516)	(359)
Current service costs	(7,251)	(5,526)	(31,420)	(24,520)	(117)	(56)
Interest cost	(2,314)	(1,701)	(55,790)	(54,090)	(37)	(17)
Remeasurement (gains) and losses:						
- the return on plan Assets, excluding the amount included in the net interest expense	1,865	9,177	0	0	30	94
- Actuarial gains/losses arising from changes in demographic assumptions	(4,630)	0	330	230	(75)	0
- Actuarial gains/losses arising from changes in financial assumptions	16,629	(22,549)	40,440	(190,640)	268	(230)
- Other	(4,361)	157	62,946	69,253	(70)	2
Past service cost	(6)	(114)	(40)	(20)	(0)	(1)
Contributions from employer	5,529	5,179	15,074	15,447	89	53
Closing fair value of scheme assets	**(45,134)**	**(50,595)**	**(1,250,700)**	**(1,282,240)**	**(428)**	**(516)**

Local Government Pension Scheme assets comprised:

	2013-2014 £000	2012-2013 £000
Cash and cash equivalents	**3,476**	**2,673**
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
Sub total equity	**40,742**	**37,116**
Bonds - by sector:		
- Corporate	5,665	5,562
- Other	478	374
Sub total bonds	**6,144**	**5,936**
Property - by type:		
- UK Property	13,508	11,772
- Overseas Property	2,010	2,017
Sub total property	**15,519**	**13,789**
Private equity - all:	**9,326**	**9,054**
Other investment funds:		
- Equities	39,207	37,227
- Bonds	21,086	18,084
Sub total other investment funds	**60,294**	**55,311**
Derivatives:	**59**	**(82)**
Total Assets	**135,558**	**123,797**

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 109.

The principal assumptions used by the actuaries have been:

	Local Government Pension Scheme		**Police Pension Scheme**	
	2013-2014	**2012-2013**	**2013-2014**	**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	Group						PCC	
	Local Government Pension Scheme		Police Pension Scheme Old Scheme		Police Pension Scheme New Scheme		Local Government Pension Scheme	
	Approximate % increase to Employers Liability £000	Approximate monetary amount £000	Approximate % increase to Employers Liability £000	Approximate monetary amount £000	Approximate % increase to Employers Liability £000	Approximate monetary amount £000	Approximate % increase to Employers Liability £000	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	12%	21,299	11.0%	129,000	19.3%	8,300	12%	343
1 year increase in member life expectancy	3%	5,421	1.9%	22,000	1.4%	600	3%	87
0.5% increase in the Salary Increase Rate	5%	8,714	2.2%	26,000	10.4%	4,500	5%	140
0.5% increase in the Pension Increase Rate	7%	12,262	8.8%	103,000	8.9%	3,800	7%	197

The liabilities show the underlying commitments that the Group has in the long run to pay post-employment (retirement) benefits. The total liability of £1,295.834m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,272.597m.

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

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover Local Government Pension Fund discretionary benefits and police officer pensions when the pensions are actually paid.

Impact on the Group's cash flow

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

35. CONTINGENT LIABILITIES

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

36. CONTINGENT ASSETS

During 2010-2011 two police officers retired and were subsequently re-employed in police staff roles. This action has led to a tax liability for the officers in respect of their commutation payment for which a provision has been made (see note 19 on page 70 and 71).
An initial liability of £160k was paid to HMRC and Force sanction charges and tax liability payments will continue to be made to HMRC during the years 2014-2015 and 2015-2016.
This liability is subject to agreement with HMRC who are expected to finalise the liability during this financial year. The latest discussion with HMRC have indicated that it is probable that the full provision made will not be required but no further adjustment has been made at this time pending final assessment.

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund the service. Risk Management is carried out within the Financial Services Department in liaison with the Chief Financial Officer, under policies approved by the Group in the annual Treasury Management Strategy. The Group provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

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

The Group does not allow credit for customers and as at 31 March 2014 £0.180m (£0.762m in 2012-2013) was past its due date for payment. These debts are actively chased according to the Debt Recovery and Write-Off Policy. The past due but not impaired amount is analysed by age as follows:

	31 March 2014 £000	31 March 2013 £000
Less than three months	156	750
Three to six months	6	0
Six months to one year	0	0
More than one year	18	12
	180	**762**

Liquidity Risk

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

The maturity of financial liabilities is as below:

	31 March 2014 £000	31 March 2013 £000
Less than 2 years	400	0
Between two and ten years	1,650	1,400
Between ten and fifteen years	5,144	5,794
Between fifteen and twenty years	2,344	2,344
Between forty and forty five years	3,623	3,623
	13,161	**13,161**

A ruling of the former Department of the Environment, Transport and the Regions (DETR) states that the borrowing on loans transferred from Norfolk County Council is not borrowing for the purposes of the Local Government Housing Act 1989. Such loans are classified as transferred debt and have been shown as long term creditors (see related note 18 on page 59).

All trade and other payables are due to be paid in less than one year, except those relating to the 2 PFI schemes. See note 32 on pages 97 to 100.

Market Risk

Interest Rate Risk -

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

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

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

All borrowing is from the PWLB at fixed rates of interest. As transaction costs are not material the carrying value of the loan is recognised in the balance sheet at the outstanding amount of the loan. The fair value the PWLB portfolio is £17.493m in 2013-2014 (£18.879m in 2012-2013).

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

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

38. PARTNERS AGAINST CRIME TASKFORCE (PACT)

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

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

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

39. COUNCIL TAX

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

	2013-2014			2012-2013		
Billing Authority	**Precept Received In year £000**	**Adjustment for Accrued Amount £000**	**Income & Expenditure Account Total £000**	**Precept Received In year £000**	**Adjustment for Accrued Amount £000**	**Income & Expenditure Account Total £000**
Breckland	7,502	280	7,782	8,611	(16)	8,595
Broadland	8,524	(36)	8,488	9,003	(19)	8,984
Kings Lynn & West Norfolk	9,410	(1)	9,409	10,390	(30)	10,360
Norwich	6,593	58	6,651	8,104	105	8,209
Great Yarmouth	5,160	24	5,184	6,186	88	6,274
North Norfolk	7,340	110	7,450	8,195	(19)	8,176
South Norfolk	8,523	60	8,583	9,252	(77)	9,175
Total Council Tax	**53,052**	**495**	**53,547**	**59,741**	**32**	**59,773**

The Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund has been taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement, see note 21 on pages 72 to 77.

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

	2013-14 £000	2012-13 £000
Council Tax Arrears	2,853	2,565
Allowance for Doubtful Debts	(1,422)	(1,212)
Council Tax Prepayments	(865)	(876)
Cash	575	169
Collection Fund Deficit	(1,141)	(646)

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

40. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Norfolk and Suffolk Joint Arrangements -

The Group has collaborative agreements with Suffolk PCC and Constabulary which are classed as ‘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 PCC's is 56.5:43.5 determined on the basis of a comparison of the overall approved Net Revenue Expenditure budgets for each County.

The following details the joint expenditure;

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

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 included 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	**2012-2013 £000**
Operating costs	7,923	7,329
Operating income	(30)	(22)
Specific HO Grant	(2,208)	(1,524)
Net expenditure	**5,685**	**5,783**
Contributions		
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)
Total Contributions	**(5,720)**	**(5,784)**
(Surplus)/Deficit for year	(35)	(1)
(Surplus)/Deficit brought forward	(3)	(74)
Opening Balance Adjustment	(263)	72
Surplus/(Deficit) carried forward	**(301)**	**(3)**

The capital assets for ERSOU at 31st March 2014 are analysed as follows:

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

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

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 14 to 30.

Summary of Arrangements

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

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

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

Grant Arrangements

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

Pension Administration

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

Long Term Pension Liability

The long term pension liability as shown in the CC Balance Sheet (see pages 9 to 11) is £1,296m (£1,333m in 2012-2013). See also Note 34 on pages 101 to 110.

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

POLICE PENSION FUND ACCOUNT	2013-2014 Old Scheme £000	2013-2014 New Scheme £000	2013-2014 Total £000	2012-2013 Old Scheme £000	2012-2013 New Scheme £000	2012-2013 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)
Net amount payable for the year	**(18,237)**	**4,431**	**(13,806)**	**(18,678)**	**3,751**	**(14,927)**
Additional Contributions from the Group / PCC			**13,806**			**14,927**
Net balance for the year			**0**			**0**

Pension Fund Net Assets Statement at 31 March 2014

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

GLOSSARY OF TERMS

ACCRUAL ACCOUNTING

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

AGENCY ARRANGEMENTS

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

ASSET

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL GRANTS RECEIPTS IN ADVANCE

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

CAPITAL RECEIPTS

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

CIPFA

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

COLLECTION FUND

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

CREDITORS

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

DE MINIMIS

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

DEBTORS

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

DEPRECIATION

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

FAIR VALUE

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

FINANCIAL REGULATIONS

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

FINANCIAL YEAR

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

FINANCIAL REPORTING STANDARDS (FRS)

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

FINANCE AND OPERATING LEASE

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

GOVERNMENT GRANTS

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

IMPAIRMENT

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

INTANGIBLE ASSETS

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

INVENTORY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NON CURRENT ASSETS

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

OUTTURN

The actual amount spent in the financial year.

POLICE ACCOUNTABILITY PANEL

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

PENSION FUND

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

POLICE GRANT

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

PRECEPT

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

PROVISION

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

PWLB

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

RESERVES

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. General Fund is available to meet future revenue and capital expenditure.

REVENUE EXPENDITURE AND INCOME

Day to day expenses and charges for goods and services, mainly salaries and wages, general running expenses and the minimum revenue provision cost.

VALUE ADDED TAX (VAT)

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