



**NORFOLK**  
CONSTABULARY

*Our Priority is You*

**THE CHIEF CONSTABLE OF  
NORFOLK CONSTABULARY**

**STATEMENT OF ACCOUNTS**

**31 March 2018**

**DRAFT**

**Statement of Accounts**  
**for the year ended 31 March 2018**

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

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## Statement of Responsibilities for the Statement of Accounts

### The Chief Constable of Norfolk Constabulary's Responsibilities

The Chief Constable must:

- Arrange for the proper administration of the Chief Constable's financial affairs and ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer of the Chief Constable.
- Manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.
- Ensure that there is an adequate Annual Governance Statement.

I approve the following Statement of Accounts:

**Simon Bailey**

**Chief Constable of Norfolk Constabulary**

**30 July 2018**

### The Chief Financial Officer of the Chief Constable Responsibilities

The CFO Chief Constable is responsible for preparing the Statement of Accounts for the Chief Constable of Norfolk Constabulary in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards ("the Code").

In preparing this statement of accounts, the CFO Chief Constable has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice and its application to local authority accounting.

The CFO Chief Constable has also:

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

### Certified by Chief Financial Officer of the Chief Constable of Norfolk Constabulary

I certify that this statement of accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Chief Constable of Norfolk Constabulary at 31 March 2018, and its income and expenditure for the year to that date.

**John Hummersone FCPFA**

**30 May 2018**

# Narrative Report

## Introduction

This Narrative Report provides information about the Office of the Police and Crime Commissioner for Norfolk and Norfolk Constabulary (together being the PCC Group), including the key issues affecting the Group and its accounts. It also provides a summary of the financial position at 31st March 2018 and is structured as below:

1. The policing context for Norfolk
2. Impact of the governance arrangements on the Financial Statements of the PCC and Chief Constable
3. Explanation of the Financial Statements
4. The 2017/18 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Looking forward

### 1. The policing context for Norfolk

#### Information about the Office of the Chief Constable for Norfolk

Under the Police Reform and Social Responsibility Act 2011 (the Act) the Police and Crime Commissioner for Norfolk (PCC) and the Chief Constable for Norfolk Constabulary were established as separate legal entities. Corporate governance arrangements for the PCC and Chief Constable have been reviewed and a commentary on their effectiveness is set out in the joint Annual Governance Statement for the PCC and Chief Constable which is published alongside these Statements of Accounts.

The responsibilities of the Chief Constable, determined by the Act, include:

- Supporting the PCC in the delivery of the strategy and objectives set out in the Police and Crime Plan;
- Assisting the PCC in planning the force's budget;
- Having regard to the Strategic Policing Requirement when exercising and planning their policing functions in respect of their force's national and international policing responsibilities;
- Being the operational voice of policing in the force area and regularly explaining to the public the operational actions of officers and staff under their command;
- Entering into collaboration agreements with other Chief Constables, other policing bodies and partners that improve the efficiency or effectiveness of policing and with the agreement of their respective PCC;
- Remaining politically independent of their PCC;
- Exercising the power of direction and control in such a way as is reasonable to enable their PCC to have access to all necessary information and staff with the force;
- Having day to day responsibility for financial management of the force within the framework of the agreed budget allocation and levels of authorisation issued by the PCC.

For accounting purposes, the PCC for Norfolk is the parent entity of the Chief Constable of Norfolk and together they form the PCC for Norfolk Group.

#### The County of Norfolk

Norfolk is the fifth largest county in England with a land area of 2,077 square miles with approximately 100 miles of coastline. In June 2015 the estimated population of Norfolk was 891,700 (mid 2016 ONS estimate). Although a predominantly rural area, around 40% of Norfolk's population live in the four main urban areas of Norwich, Great Yarmouth, King's Lynn and Thetford.

Norfolk has a much older age profile than England as a whole, with 23.0% of Norfolk's population aged 65 and older compared with 17.3% in England<sup>1</sup>. Over the next ten years there is a projected growth of 60,600 people in Norfolk with those aged 75-84 projected to increase by a third and those aged 85 and over projected to increase by almost 40%<sup>2</sup>.

As a popular tourist destination, Norfolk receives more than three million overnight visitors per year and 39,665,000 day trips are made<sup>3</sup>. Around 60,000 jobs are directly supported by tourism<sup>4</sup>. The transient populations associated with tourism impact on the policing of Norfolk to varying extents at different times of the year. Other significant employers in the Norfolk economy include the public sector, agriculture, retail and engineering. Tackling crime within rural communities has been highlighted as one of the priorities in the new Police and Crime Plan recently issued by the Police and Crime Commissioner. Norfolk Constabulary support hundreds of events throughout the year, Norwich City football matches, Norwich Pride, the Sundown music festival and numerous other local carnivals and occasions. Norfolk Constabulary also police the Royal Estate at Sandringham.

There are areas with high flood risk within Norfolk, namely Great Yarmouth, the Norfolk Broads, the outskirts of Norwich (River Yare) and the coastal areas of North Norfolk and King's Lynn. A large area of West Norfolk is at medium to low risk of flooding. The road networks in Norfolk comprise of A and B roads with no motorways. Both pose challenges, again impacting on the policing of the county. Road safety is another focus of the current Norfolk Police and Crime Plan.

### **Changing demand**

Demand for policing in Norfolk has changed over the past five years. This is coupled with a rise in the cost of dealing with crime due to the increased complexity.

There has been a shift from traditional crime like burglary, vehicle offences and criminal damage, towards less visible but significantly more harmful criminal activity. Domestic violence, serious sexual offences, exploitation of vulnerable children and adults and online crime are all increasing. With this comes an increase in the cost of dealing with complex criminal investigations and providing support to the victims, for whom the effect of these crimes can be life-changing.

In addition, the Constabulary is increasingly being called upon to deal with a range of social issues that do not reflect the core policing role. A primary example of this is mental health, which is linked to around 20% of the calls for services received.

Dealing with this change in demand presents a significant challenge for the Constabulary, as the organisation strives to maintain the highest level of service to the communities of Norfolk, with a reduced workforce and the financial legacy of successive budget cuts.

To respond to this the Constabulary is looking to shape its future through a change programme, Norfolk 2020.

Norfolk 2020 is an in-depth review of frontline policing and the changes required to deliver services effectively now, and in the future, against the backdrop of reduced funding and changing demand.

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<sup>1</sup> Older People's Health and Wellbeing, Public Health England: <https://fingertips.phe.org.uk/profile/older-people-health/data#page/4/gid/1938133101/pat/6/e12000004/ati/102/are/E03000015> [Last accessed 20/04/2017]

<sup>2</sup> Norfolk Police and Crime Commissioner Statement of Accounts 2015-16: <http://www.norfolk-pcc.gov.uk/documents/finances/annual-accounts/statement-accounts/201516/NorfolkPCCStatementofAccounts2015-16.pdf> [last accessed 21/04/2017]

<sup>3</sup> The Economic Impact of Tourism, World Travel & Tourism Council, 2014: <https://mediafiles.thedms.co.uk/Publication/ee-nor/cms/pdf/Economic%20Impact%20of%20Tourism%20-%20Norfolk%202014.pdf> [last accessed 20/04/2017]

<sup>4</sup> Visit Norfolk, 2015: <http://www.visitnorfolk.co.uk/Tourism-info-and-stats.aspx> [last accessed 20/04/2017]



The review was commissioned by the Chief Constable in September 2015, with the aim of developing a long-term vision for policing in the county and is the most comprehensive assessment of frontline services undertaken by the force in recent years. In October 2017, following the first phase of the work, the Chief Constable announced the new policing model for Norfolk which included the ending of the role of Police Community Support Officer (PCSO) and the recruitment of more police officers. The policing model establishes the local policing and response teams.

The review is continuing to drive out efficiencies by better demand management and identify the most effective ways to deliver services in the future, protecting individuals and communities from harm. More information on other aspects of the approach to change is in the Looking Forward section of this Narrative Report.

### **Collaboration and partnership working**

The Police Reform and Social Responsibility Act 2011 places duties on chief officers and policing bodies to keep collaboration activities under review and to collaborate where it is in the interests of the efficiency and effectiveness of their own and other police force areas.

Norfolk Constabulary's preferred partner for collaboration is Suffolk Constabulary. A joint strategy exists which outlines the collaborative vision for Norfolk and Suffolk, and provides a strategic framework within which collaborative opportunities are progressed.

The two police forces have been collaborating for eight years, with the programme of collaborative work delivering a number of joint units and departments in areas such as major investigation, protective services, custody, and back office support functions. The partnership has also yielded significant savings for both forces and received praise from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

Areas of collaboration outside of Norfolk/Suffolk include Eastern Region Special Operations Unit (ERSOU), a specialist unit with a remit for tackling serious and organised crime in the Eastern Region. ERSOU comprises resources from the following police forces: Norfolk, Suffolk, Essex, Cambridgeshire, Bedfordshire and Hertfordshire. There is also a 7 Forces Strategic Collaboration Programme currently working on other areas for wider collaboration and savings.

The Policing and Crime Act 2017 received Royal Assent on 31st January 2017. The Act includes a duty, in England, for emergency services to collaborate. It also gives the opportunity for PCCs in England to take over the governance of their local fire and rescue services should a business case demonstrate this is in the interests of the local communities. The Norfolk Office of the PCC retained consultants to prepare an independent report on the options open to the PCC for taking responsibility for the Fire and Rescue Service. The conclusion of the report was that the 'Governance Model' should be examined in a full business case and work commenced on this in March 2018.

The proposed new duty is aimed at spreading existing best practice across all areas of the emergency services, making collaboration common practice. The Home Secretary says it would ensure that all opportunities to improve efficiency and effectiveness between the emergency services are fully explored whilst allowing decisions to be taken at a local level.

Within this context, Norfolk Constabulary and Norfolk Fire and Rescue Service continue to strengthen their working relationship and later in this calendar year the Fire Control Room will move in alongside the Police Control Room.

Norfolk Constabulary is committed to working in partnership with public, private and third sector agencies to tackle issues of crime and disorder. This is demonstrated through roles in critical partnership initiatives such as the Community Safety Partnership, the Family Focus Project, Norfolk 180 and the local Safer Neighbourhood Action Panels. Norfolk Constabulary is committed to finding long term sustainable solutions to problems of crime and disorder, working together with partners and the communities in an evidence-based problem solving way and supporting innovation at a local level

## 2. Impact of the Governance Arrangements on the Financial Statements of the PCC and Chief Constable

The International Accounting Standards Board framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' economic benefits associated with the item(s) will flow to, or from, the entity. The PCC has responsibility for the finances of the whole Group and controls the assets, liabilities and reserves. With the exception of the liabilities for employment and post-employment benefits, referred to later, this 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 Chief Constable to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

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

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

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

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

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

## 3. Explanation of financial statements

The 2017/18 statement of accounts for the Police and Crime Commissioner for Norfolk and the PCC Group are set out on the following pages. The purpose of individual primary statements is explained below:

- **The Comprehensive Income and Expenditure Statement (CIES)** 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. Adjustments made between the accounting and funding bases are showing in the Movement in Reserves Statement.

- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets of the Chief Constable (assets less liabilities) are matched by the reserves held by the Chief Constable.
- **The Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the Chief Constable. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- **The Cash Flow Statement** shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Chief Constable generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, during 2017/18 all cash is held by the PCC for Norfolk so the cash flow statement for the Chief Constable shows the net deficit on the provision of services as non-cash movements.

Please note that occasionally minor differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies. There have been some minor presentational changes to some notes in an effort to simplify them.

#### 4. The 2017/18 Revenue and Capital Budget Process

A joint financial planning process took place between September 2016 and January 2017 in accordance with an agreed timetable. An enhanced Service and Financial Planning process took place using Outcome Based Budgeting (OBB) principles, and a new OBB modelling tool.

OBB is a method for aligning budgets to demand, performance, outcomes and priorities. This approach analyses the activity spending of the entire Force, in terms of budgets, establishment, performance, demand and outcomes. This information is then lined up against the priorities and demands of the Constabulary and PCC. This allows projects to be developed to target areas that can be made more efficient, and those areas requiring more investment.

These outcomes were then reviewed by a Joint Chief Officer Panel against the OBB principles and decisions made about limiting growth and increasing savings.

These outputs were then presented to the Joint Chief Officer Team, and further refined after these sessions. Finally the outcomes of the process were presented to the PCC. The process concluded with agreement on Norfolk only budgets, the agreement of joint budgets, costs and savings arising from the process to be included in spending plans.

In accordance with the requirements of Section 96 (1) (b) of the Police Act 1996, as amended by section 14 of the Police Reform and Social Responsibility Act 2011, the PCC has an obligation to consult with business rate payers and there is also a general responsibility to consult with the public.

The PCC launched the consultation for the 2017/18 police budget on 10 November at a public meeting in Great Yarmouth. The consultation was originally scheduled for four weeks but, having launched the consultation slightly earlier than in previous years, the PCC took the option to extend the deadline for public feedback by a further week, closing it on 16 December 2016.

The Office of the Police and Crime Commissioner also ran an online survey seeking residents' views on the levels of council tax for 2017/18.

The results were collated towards the end of January 2017 and presented by the PCC to the Police and Crime Panel at its meeting on 2 February 2017.

These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2017/18 to 2021/22 and was signed off in February 2017.

The Medium-Term Financial Plan for the PCC are available on [www.norfolk-pcc.gov.uk](http://www.norfolk-pcc.gov.uk)

## 5. Financial Performance

### Savings plans

The Chief Constable has run a well-established and effective change programme over recent years. The programme was initially developed to address the savings requirements arising from the spending reviews of 2010 and 2013 that covered the period up to 2015/16, and is still required to deal with the spending challenges from inflation, increasing demand, the changing nature of crime and ongoing investment in modernising the Constabulary through improved digital infrastructure and technology.

Savings plans of £3.795m were identified for 2017/18, and those savings have been achieved. As a result of service pressures, despite the government grant being maintained at 2017/18 levels, the Constabulary is required to achieve savings of £3.036m in 2018/19. The PCC and Chief Constable are jointly committed to providing the best possible policing service across Norfolk whilst at the same time increasing efficiency and reducing costs.

There is more information about the impact of the Home Office settlement for 2018/19 and what this means for the Constabulary over the medium-term in the Looking Forward section below.

### Long Term Liabilities

#### Pension Liabilities

There are three separate pension schemes for police officers and one scheme for police staff. Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC has a future commitment to make these payments and under International Accounting Standard 19 (IAS19), the PCC is required to account for this future commitment based on the full cost at the time of retirement. The future net pension liabilities of the PCC as calculated by an independent actuary are set out in the following table:

<i>Year-end</i>	<i>Total</i>	<i>Officers</i>	<i>Staff</i>
31 March 2018	£1,731m	£1,642m	£89m
31 March 2017	£1,721m	£1,632m	£89m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,732m at 31 March 2018, however, the financial position of the Chief Constable remains sound as these liabilities will be spread over many years.

### Reserves

The Chief Constable does not hold any usable reserves.

### Annual Governance Statement

The Accounts and Audit Regulations 2015 require the Annual Governance Statement (AGS) to accompany the Statements of Accounts. The AGS can be found on the PCC's website at [www.norfolk-pcc.gov.uk](http://www.norfolk-pcc.gov.uk).

## 6. Non-financial Performance

Like most police forces in England and Wales, crime reported to and recorded by Norfolk Constabulary has risen. In the 12 months to the end of March 2018 there were 56,619 recorded crimes, more than 14% more than the long-term average. These rises reflect considerable efforts made by officers and staff to encourage reporting from victims of 'hidden' crimes, and those from parts of the community which have not normally reported crime frequently. The Constabulary has also invested resources in ensuring its recording of crime is as comprehensive as possible. The results of these strategies has been rises in violence, sexual crime and domestic abuse.

The Constabulary continues to prioritise services to vulnerable and at risk victims, and perpetrators who cause the highest harm. The force continues robust operational responses to the threat of ‘county lines’ organised crime groups, to modern day slavery, and to sexual crimes against adults and children. Collaborations with Suffolk Constabulary, the regional special operations unit (ERSOU), the seven force collaboration and other Norfolk agencies and voluntary organisations, and investments in modern technologies such as automated number plate recognition, mobile computing devices and body worn video cameras are critical parts of these responses.

The Constabulary also continues to prioritise community issues through investment in Beat Managers and Community Engagement Officers. The Norfolk 2020 project continues to develop evidence based initiatives to reduce demand and improve efficiency enabling officers to spend more time engaging with communities and responding to local needs. As a result, public confidence in the Constabulary remains high and anti-social behaviour has fallen substantially.

The Police and Crime Plan 2016-2020 lists the priorities for tackling crime in Norfolk:

- Increase visible policing
- Support rural communities
- Improve road safety
- Prevent offending
- Support victims and reduce vulnerability
- Deliver a modern and innovative service
- Good stewardship of taxpayers’ money.

The following table shows the ‘year-end’ position for some of the more easily available Police and Crime Plan key performance indicators where prior year data is available. Full details will be published in the PCC’s Annual Report in the autumn.

Area	Indicator	2016/17	2017/18
Domestic Abuse	<i>Number of crimes</i>	6,061	7,564
	<i>Solved rate</i>	29%	22%
Serious Sexual Offences	<i>Number of crimes</i>	1,486	1,978
	<i>Solved rate</i>	13%	9%
Child Sexual Abuse	<i>Number of crimes</i>	1,379	1,337
	<i>Solved rate</i>	13%	15%
Hate Crime	<i>Number of crimes</i>	421	398
	<i>Solved rate</i>	4%	6%
Online Crime	<i>Number of crimes</i>	1,119	1,259
	<i>Solved rate</i>	21%	18%
Call Handling	<i>% 999 calls answered in 10 seconds</i>	90%	89%
	<i>Average time to answer 101 calls (seconds)</i>	100	165
Emergency Response	<i>% of emergencies responded to in target time</i>	93%	90%
Road Safety	<i>Number of KSI collisions</i>	365	386
Confidence	<i>% of public who agree police are doing a good job</i>	68%	68%

Demands on the Constabulary have changed in nature in recent years. ‘Traditional’ acquisitive crimes have reduced substantially, while ‘hidden’ crimes such as domestic abuse and child sexual exploitation have risen. Rises in crime and reductions in solved rates reflect this changing demand, as does the focus of the Police and Crime Plan. The force continues to prioritise the most harmful crime types alongside initiatives that focus on community priorities such as rural crime, and business crime and

responding to emergencies. The force's performance in call handling and emergency response remains strong and public confidence that the Constabulary is doing a good job is the fourth highest level of any force in England and Wales.

## 7. Looking Forward

Since 2010/11 Norfolk's main Police Grant has reduced from £100.9m to £77.9m in 2017/18, a reduction of 23% in cash and 31% in real terms. But after allowing for increases in council tax over that period total funding has reduced by £8.6m which is 5.5% cash and 15.6% in real terms.

In addition, the Constabulary has had to absorb other costs such as the impact of the introduction of the Single Tier Pension (£2.1m), the Apprenticeship Levy (£0.5m), as well as other increases such as those connected to pension contributions and insurance premium tax.

In common with other forces across the country, the Constabulary continues to face significant service pressures due to the changing nature of crime. Whilst Norfolk remains a safe county, the Constabulary is dealing with continuing increases in reports of domestic abuse, rape and serious sexual offences, adult and child abuse and allegations of cyber enabled fraud. These are some of the most complex and demanding investigations the service has to undertake and they require a highly skilled workforce. As a result Norfolk Constabulary is facing some significant cost pressures which have to be addressed.

Other legislative changes and procedural changes, such as the changes to managing bail and the impact from the introduction of Virtual Courts have directly increased costs to the Constabulary.

The Constabulary continues to deal with the impact of the shortage in resources of other public sector partners, in particular mental health and ambulance services, resulting in the Constabulary having to absorb additional demand from these areas as the emergency service of last resort.

The grant settlement from government kept the main grant for 2018/19 at the same level as 2017/18 and also allowed PCCs to increase their Band D precept by a maximum of £12 per annum. The PCC for Norfolk consulted the public and a majority (59%) supported the maximum increase and the precept for 2018/19 has been increased by this amount.

The Minister for Policing and the Fire Service, the Rt Hon. Nick Hurd outlined in the Police Grant report that the "Government intends to maintain the protection of a broadly flat police grant in 2019/20 and repeat the same flexibility of the precept, i.e. allowing PCCs to increase their Band D precept by a further up to £12 per annum in 2019/20". This approach to 2019/20 is dependent on the police delivering "clear and substantial progress against the agreed milestones on productivity and efficiency in 2018".

The PCC and Chief Constable are committed to delivering these further efficiencies. For 2018/19 the Constabulary has identified £3.036m of savings to balance the budget and over the life of the Medium-Term Financial Plan this figure rises to £4.591m by 2021/22. Even with this level of identified savings, this leaves an additional savings requirement of £4.613m to be identified by 2021/22. In order to achieve this level of savings and ensure the policing model is as efficient as possible the Constabulary continues with its approach to change. This has focussed on three strands: the Service and Financial Planning process underpinned by Outcome Based Budgeting (OBB) principles; developing a new programme to develop the vision for policing in the county called Norfolk 2020; and Regional Collaboration.

All of these proactive elements that use demand, performance and priority data will shape the new change programme and be captured in future Medium-Term Financial Plans to support the continued transformation and modernisation of policing. It is clear that the change programme will need to remain a continuous process, ensuring that savings can be driven out in a timely fashion to ensure budgets can be balanced over the medium-term and beyond.

Nationally, to help deliver the Policing Vision for 2025, and meet the Minister's requirement for "clear and substantial progress" on productivity and efficiency two significant programmes are in place. The Commercial Collaboration Programme, and the National Enabling Programme.

The former is overseen by the National Commercial Board and has five workstreams: Collaborative Procurement; Shared Services; Enablement; Commercial Models; Estates.

The National Enabling Programme is a programme that will provide a modern technology environment that is fundamental to transforming ways of working across policing in the UK.

As reported last year, there is an ongoing requirement for increased capital spending over the medium-term due to the continuing pace of modernisation and the need to ensure that the Force is fit-for-purpose and appropriately equipped. This includes significant investment in refreshing the growing ICT / digital estate; increasing investment in infrastructure e.g. in networks and servers to deal with the growth in requirements for investigating and storing digital data; and the continued roll-out and renewal of projects such as Body Worn Video and mobile working. There are also spending requirements due to the development of the National Enabling Programme, referred to above, that will help deliver interoperability across all forces.

The growth of the investment in these “short life” capital assets will need to deliver efficiencies in staffing to avoid putting undue pressure on revenue reserves over the medium-term. Over the last few years, reserves have been used appropriately to fund the capital programme in respect of short life assets, the cost of change (e.g. redundancies arising from implementing the significant change programme), and planned temporary staffing costs to respond to service pressures, and transition programmes. Careful consideration has been given to reserve levels over the medium-term, and beyond particularly by modelling capital financing over the next 20 years.

The MTFP therefore includes planned contributions to reserves in the last two years of the plan in order to ensure that sufficient reserves are available for the medium and longer-term. This will require additional savings to be found, and is a significant driver for further development of the change programme over the coming months and years.

As previously mentioned, the Policing and Crime Act 2017 received Royal Assent on 31st January 2017. The Act includes a duty, in England, for emergency services to collaborate. It also gives the opportunity for PCCs in England to take over the governance of their local fire and rescue services should a business case demonstrate this is in the interests of the local communities. The Norfolk Office of the PCC retained consultants to prepare an independent report on the options open to the PCC for taking responsibility for the Fire and Rescue Service. The conclusion of the report was that the ‘Governance Model’ should be examined in a full business case and work commenced on this in March 2018.

These uncertainties and challenges will require the PCC and Constabulary to keep financial planning assumptions under constant review, to ensure that the financial position remains stable into the long-term.

**John Hummersone FCPFA**

**Chief Finance Officer**

**Draft Comprehensive Income and Expenditure Statement  
for the Chief Constable of Norfolk Constabulary  
for the year ended 31 March 2018**

Gross Expenditure 2016/17 £000	Income 2016/17 £000	Net Expenditure 2016/17 £000		Gross Expenditure 2017/18 £000	Income 2017/18 £000	Net Expenditure 2017/18 £000	
			Note				
			<b>Division of Service:</b>				
166,764	(15,160)	151,603		186,071	(17,355)	168,717	
<u>166,764</u>	<u>(15,160)</u>	<u>151,603</u>		<u>186,071</u>	<u>(17,355)</u>	<u>168,717</u>	
	<u>(167,658)</u>	<u>(167,658)</u>					
			4		<u>(171,279)</u>	<u>(171,279)</u>	
<u>166,764</u>	<u>(182,819)</u>	<u>(16,055)</u>	Page 18	<u>186,071</u>	<u>(188,633)</u>	<u>(2,562)</u>	
			<b>Financing and Investment Income and Expenditure:</b>				
-	-	-		-	-	-	
48,391	-	48,391	16	45,503	-	45,503	
-	-	-		-	-	-	
<u>48,391</u>	<u>-</u>	<u>48,391</u>		<u>45,503</u>	<u>-</u>	<u>45,503</u>	
		<u>32,336</u>				<u>42,941</u>	
			<b>Other Comprehensive Income and Expenditure:</b>				
		316,392	16			(31,690)	
		<u>316,392</u>				<u>(31,690)</u>	
		<u>348,728</u>				<u>11,251</u>	
			<b>Total Comprehensive Income and Expenditure</b>				



**Draft Balance Sheet for the Chief Constable of Norfolk  
Constabulary  
as at 31 March 2018**

31 March 2017 £000	Notes	31 March 2018 £000
-	<b>TOTAL ASSETS</b>	-
<u>774</u>	Short-term creditors and accruals	<u>750</u>
<u>774</u>	<b>Current Liabilities</b>	<u>750</u>
1,719,958	Liability related to defined benefits	1,731,233
<u>1,719,958</u>	<b>Long Term Liabilities</b>	<u>1,731,233</u>
<u>1,720,731</u>	<b>TOTAL LIABILITIES</b>	<u>1,731,983</u>
<u>(1,720,731)</u>	<b>NET ASSETS / (LIABILITIES)</b>	<u>(1,731,983)</u>
-	Usable reserves	-
<u>(1,720,731)</u>	Unusable reserves	<u>(1,731,983)</u>
<u>(1,720,731)</u>	<b>TOTAL RESERVES</b>	<u>(1,731,983)</u>

The unaudited accounts were issued on

30 May 2018

John Hummersone FCPFA – CFO

30 May 2018

## Draft Movement in Reserves Statement for the Chief Constable of Norfolk Constabulary

Year Ended 31 March 2018	General Fund Balance £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2017</b>	-	-	(1,720,733)	(1,720,733)
<b>Movement in Reserves during 2017/18</b>				
Surplus or (deficit) on provision of services (accounting basis)	(42,941)	(42,941)	-	(42,941)
Other comprehensive income and expenditure	-	-	31,690	31,690
<b>Total comprehensive income and expenditure</b>	(42,941)	(42,941)	31,690	(11,251)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	65,453	65,453	(65,453)	-
Contribution to the Police Pension Fund	(22,489)	(22,489)	22,489	-
Movement on the Compensated Absences Account	(24)	(24)	24	-
<b>Adjustments between accounting basis and funding basis under regulations</b>	42,940	42,940	(42,940)	-
<b>Increase / decrease in year</b>	-	-	(11,250)	(11,250)
<b>Balance at 31 March 2018</b>	-	-	(1,731,983)	(1,731,983)

Year Ended 31 March 2017	General Fund Balance £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2016</b>	-	-	(1,372,005)	(1,372,005)
<b>Movement in Reserves during 2016/17</b>				
Surplus or (deficit) on provision of services (accounting basis)	(32,336)	(32,336)	-	(32,336)
Other comprehensive income and expenditure	-	-	(316,392)	(316,392)
<b>Total comprehensive income and expenditure</b>	(32,336)	(32,336)	(316,392)	(348,728)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	54,342	54,342	(54,342)	-
Contribution to the Police Pension Fund	(22,090)	(22,090)	22,090	-
Movement on the Compensated Absences Account	84	84	(84)	-
<b>Adjustments between accounting basis and funding basis under regulations</b>	32,336	32,336	(32,336)	-
<b>Increase / decrease in year</b>	-	-	(348,728)	(348,728)
<b>Balance at 31 March 2017</b>	-	-	(1,720,732)	(1,720,732)

**Draft Cash-flow Statement for the Chief Constable for Norfolk  
Constabulary  
for the year ended 31 March 2018**

<b>2016/17 £000</b>		<b>Note</b>	<b>2017/18 £000</b>
(32,336)	<b>Net Surplus/(deficit) on the provision of services</b>	<b>Page 14</b>	(42,941)
32,336	Adjustment for non cash or cash equivalent movements	<b>9</b>	42,942
<u>-</u>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<u>-</u>
-	Cash and cash equivalents at the beginning of the reporting period		-
<u>-</u>	<b>Cash and cash equivalents at the end of the reporting period</b>		<u>-</u>

## Expenditure and Funding Analysis for the Chief Constable of Norfolk Constabulary

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link from the figures reported in the Strategic Report to the CIES.

Chief Constable	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
<b>Year Ended 31 March 2018</b>			
Chief Constable	148,791	19,926	168,717
Intra-group funding	(171,279)	-	(171,279)
<b>Net Cost of Police Services</b>	<b>(22,488)</b>	<b>19,926</b>	<b>(2,562)</b>
Other income and expenditure	22,488	23,014	45,503
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>-</b>	<b>42,940</b>	<b>42,941</b>
Opening general fund balance at 31 March 2018	-		
Less deficit on general fund in year	-		
<b>Closing General Fund Balance at 31 March 2018</b>	<b>-</b>		
<b>Year Ended 31 March 2017</b>			
Chief Constable	145,568	6,035	151,603
Intra-group funding	(167,658)	-	(167,658)
<b>Net Cost of Police Services</b>	<b>(22,090)</b>	<b>6,035</b>	<b>(16,055)</b>
Other income and expenditure	22,090	26,301	48,391
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>-</b>	<b>32,336</b>	<b>32,336</b>
Opening general fund balance at 31 March 2016	-		
Less deficit on general fund in year	-		
<b>Closing General Fund Balance at 31 March 2017</b>	<b>-</b>		

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## 1. Accounting Policies

### General principles

The Statement of Accounts summarises the Group's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (CoP), supported by International Financial Reporting Standards (IFRS).

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.

### Cost recognition and intra-group adjustment

Refer to Note 5 for further details.

### Recognition of working capital

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 Chief Constable 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.

### Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not in the financial period in which cash payments are paid or received.

### Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 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.

### Debtors and creditors

Revenue and capital transactions are included in the accounts on an accruals basis. Where goods and services are ordered and delivered by the year-end, the actual or estimated value of the order is accrued. With the exception of purchasing system generated accruals a de-minimis level of £1,000 is set for year-end accruals of purchase invoices, except where they relate to grant funded items, where no de-minimis is used. Other classes of accrual are reviewed to identify their magnitude. Where the inclusion or omission of an accrual would not have a material impact on the Statement of Accounts, either individually or cumulatively, it is omitted.

### Charges to the CIES (Comprehensive Income and Expenditure Statement) for Non-Current Assets

Net cost of policing of the PCC is debited with the following amounts to record the cost of holding non-current assets during the year:

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

The PCC 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, the Minimum Revenue Provision (MRP), towards the reduction in the overall borrowing requirement (represented by the Capital Financing Requirement) equal to an amount calculated on a prudent basis determined by the PCC in accordance with statutory guidance.

Depreciation, amortisation, and revaluation and impairment losses are reversed from the General Fund and charged to the Capital Adjustment Account via the MIRS (Movement in Reserves Statement). MRP is charged to

the General Fund along with any Revenue Funding of Capital and credited to the Capital Adjustment Account via the MIRS.

Guidance issued under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 enables authorities to calculate an amount of MRP, which they consider to be prudent. For capital expenditure incurred from 2008/09, the PCC has approved calculating the MRP using the Option 3 method, which results in equal instalments of MRP being charged over the related assets' useful life.

### **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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure on the acquisition, creation or enhancement and disposal of non-current assets is capitalised subject to a de-minimis threshold of £10,000. Expenditure below this amount on an individual asset is treated as revenue, with the following exceptions:

- Desktop and laptop computers and tablets
- Monitors
- Multi-functional devices
- Communication devices including radios
- Servers
- Software licences
- Firearms including TASERS
- Vehicles with a life exceeding 12 months
- Annual Assets (projects incurring expenditure throughout the year which are not classified as assets under construction)
- Where government grant funding has been sought and received for specific expenditure on the assumption that both the grant and expenditure are treated as capital

#### 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 on the acquisition or construction of fixed assets.

The cost of assets acquired other than by purchase is deemed to be fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Group). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Group.

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

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

- Assets under construction – historic cost until the asset is live (assets under construction are not depreciated)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- 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 have short useful 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 might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following way:

- 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 an insufficient balance, the carrying amount of the asset is written down against the net cost of policing of the PCC in the CIES.

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 in the following way:

- 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 an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, 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 (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight-line allocation over the useful life of the asset

The Code of Practice requires that where a 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, where the remaining asset life is significantly different for identifiable components, unless it can be proved that the impact on the Group's Statement of Accounts is not material. The Group has assessed the cumulative impact of component accounting. As a result the Group applies component accounting prospectively to assets that have a valuation in excess of £2m unless there is clear evidence that this would lead to a material misstatement in the Group's Financial Statements.



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.

Depreciation or amortisation is charged in both the year of acquisition and disposal of an asset on a pro rata basis. Depreciation or amortisation is charged once an asset is in service and consuming economic benefit.

#### 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, on the basis relevant to the asset class prior to reclassification, and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 are categorised as capital receipts and are 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 MIRS.

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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 MIRS.

#### **Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value on each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

### **Intangible assets**

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of a finite intangible asset is amortised over its useful life and charged to the net cost of policing of the PCC in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the net cost of policing of the PCC in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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 an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### **Council Tax**

Billing authorities act as agents, collecting council tax on behalf of the major preceptors, which includes the PCC. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax collected could be less or more than predicted.

The council tax income included in the Comprehensive Income and Expenditure Statement is the PCC's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the PCC's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

### **Employee benefits**

#### Benefits payable during employment

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year end. The accrual is made at the most recent wage and salary rates applicable.

#### Termination benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount

payable by the authority 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

Officers have the option of joining the Police Pension Scheme 2015. Civilian employees have the option of joining the Local Government Pension Scheme (LGPS), administered by Norfolk County Council. Some officers are still members of the Police Pension Scheme 1987 and the New Police Pension Scheme 2006, where transitional protection applies. All of the schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Constabulary, and all of the schemes are accounted for as defined benefit schemes.

The liabilities attributable to the Group of all four schemes are included in the Balance Sheet on an actuarial basis using the projected unit credit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits (including injury benefits on the Police Schemes) earned to date by officers and employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current officers and employees.

Liabilities in the LGPS are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is based on the return on UK Government bonds (gilts) plus a prudent asset return assumption, which makes an allowance for an anticipated out-performance of Fund returns relative to long term yields on gilts.

Liabilities in the Police Pension Scheme are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is set with reference to the current rate of return on high quality corporate bonds.

The assets of the LGPS attributable to the Group are included in the Balance Sheet at their fair value as follows:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

All three of the police schemes are unfunded and therefore do not have any assets. Benefits are funded from the contributions made by currently serving officers and a notional employer's contribution paid from the general fund; any shortfall is topped up by a grant from the Home Office.

The change in the net pensions liability is analysed into six components:

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is allocated in the CIES to the services for which the employee or officer worked. The current service cost is based on the latest available actuarial valuation.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are debited to the net cost of policing in the CIES as part of the service for which the employee or officer worked.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged to the Financing and Investment Income and Expenditure line in the CIES. The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions 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. They are debited to the pension reserve.
- Contributions paid to the four pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts 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. This means that in the MIRS 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 the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on 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.

#### 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 on an actuarial basis.

#### **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. However 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.

#### **Financial Instruments**

##### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES 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 borrowings that the PCC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

##### Financial Assets

Financial assets can be classified into two types:

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

The PCC does not hold any available-for-sale financial assets.

##### Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CIES.

## Government grants and contributions

All government grants are received in the name of the PCC. However, where grants and contributions are specific to expenditure incurred by the Chief Constable, they are recorded as income within the Chief Constable's accounts. Whether paid on account, by instalments or in 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 or contributions will be received

Amounts recognised as due to the Group are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 within creditors as government grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves Statement (MIRS). Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

## Investment policy

The PCC works closely with its external treasury advisors Link Asset Services to determine the criteria for high quality institutions. The criteria for providing a pool of high quality investment counterparties for inclusion on the PCC's 'Approved Authorised Counterparty List' is provided below:

- UK Banks which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

- Non-UK Banks domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the three credit rating agencies:

Non-UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- Part Nationalised UK Banks;
- The PCC's Corporate Banker (Barclays Bank) – if the credit ratings of the PCC's Corporate Banker fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time;
- Building Societies (which meet the minimum ratings criteria for UK Banks);
- Money Market Funds (which are rated AAA by at least one of the three major rating agencies);
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2017/18 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

## Joint operations and joint assets

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

Joint 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 joint assets, and the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the arrangement.

## **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

### The PCC as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

#### *Operating Leases*

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

### The PCC as Lessor

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the net cost of policing line in the CIES. 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.

## **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 its PFI schemes, and for the Police Investigation Centres (PICs) ownership of the property, plant and equipment will pass to the Group at the end of the contracts for no additional charge, the Group carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

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

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 CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – these are included as part of the unitary payment such that the supplier absorbs any peaks and troughs throughout the life of the contract.

### **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 CIES 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 each financial year – where it becomes less than probable that a 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 line.

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.

The insurance claims provision is maintained to meet the liabilities for claims received but for which the timing and/or the amount of the liability is uncertain. The Group self-insures part of the third party, motor and employer's liability risks. External insurers provide cover for large individual claims and to cap the total claims which have to be met from the provision in any insurance year. Charges are made to revenue to cover the external premiums and the estimated liabilities which will not be met by external insurers. Liability claims may be received several years after the event and can take many years to settle.

### **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 a note to the accounts.

### **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 CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC – these reserves are explained in the following paragraphs:

#### Revaluation Reserve

This Reserve records the accumulated gains on fixed assets arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred, only because the asset has been revalued. The balance on this Reserve for assets disposed is written out to the Capital Adjustment Account. The overall balance on this reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historic cost.

#### Capital Adjustment Account

This account accumulates (on the debit side) the write-down of the historical costs of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on this account represents timing differences between the amount of the historical cost of the fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

#### Pension Reserve

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

#### **Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. Where the VAT is irrecoverable it is included in the relevant service line of the Group Comprehensive Income and Expenditure Statement. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (e.g., purchase of command platform vehicles).

## **2. Accounting Standards that have been issued but have not yet been adopted**

The Financial Statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom for 2017/18 (the Code), the Code is based on International Financial Reporting Standards (IFRSs).

The amendments required to be adopted under the 2018/19 Code are:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*
- Amendments to IAS12 *Income Taxes* : Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 *Statement of Cash Flows*: Disclosure Initiative

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2018, and these IFRSs will be initially adopted as at 1 April 2018. The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. There is no requirement to restate preceding year financial information for IFRS 9 and IFRS 15. It is not expected that the adoption of these standards will have a material effect on the financial statements.



### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the PCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- 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 2018/19 in regard of what the PCC will receive from the government and the limitations around the precept. The PCC and the 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 has been set out in the Narrative Report to these accounts.
- The PCC for Norfolk has a significant number of assets including those under Private Finance Initiative (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 account. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the Chief Constable have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the Chief Constable accounts including the service charges element of the PFI.
- Costs of pension arrangements require estimates assessed by independent qualified actuaries 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.
- In respect of the LGPS police staff pension costs, separate actuarial valuations have been carried out to provide the accounting entries for the PCC and the Chief Constable in 2017/18 and are reflected in the financial statements.

### 4. Intra-group Funding Arrangement Between the PCC and Chief Constable

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

The PCC received all funding on behalf of the Group; at no time, under the current arrangements, does the Chief Constable hold any cash or reserves. However, it is felt that to accurately represent the substance of the financial impact of the day-to-day control exercised by the Chief Constable over policing it is necessary to capture the costs associated with this activity in the Chief Constable's CIES. A consequence of this is that the employment liabilities associated with police officers and police staff is also contained in the Chief Constable's CIES and the accumulative balances are held on the Chief Constable's Balance Sheet. 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 are carried on the balance sheet in accordance with the Code and added to the carrying value of the Pensions Liability and Accumulated Absences Liability.

## 5. Notes to the Expenditure and Funding Analysis

### Adjustments between the CIES and the General Fund

	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Chief Constable</b>			
<b>Year Ended 31 March 2018</b>			
Chief Constable	19,950	(24)	19,926
<b>Net Cost of Police Services</b>	<b>19,950</b>	<b>(24)</b>	<b>19,926</b>
Other income and expenditure	23,014	-	23,014
<b>Difference between General Fund Deficit/(Surplus) on the Provision of Services</b>	<b>42,964</b>	<b>(24)</b>	<b>42,940</b>
<b>Year Ended 31 March 2017</b>			
Chief Constable	5,951	84	6,035
<b>Net Cost of Police Services</b>	<b>5,951</b>	<b>84</b>	<b>6,035</b>
Other income and expenditure	26,301	-	26,301
<b>Difference between General Fund Deficit/(Surplus) on the Provision of Services</b>	<b>32,252</b>	<b>84</b>	<b>32,336</b>

## Expenditure and Income Analysed by Nature

	<b>Total 2017/18 £000</b>	<b>Total 2016/17 £000</b>
<b>Expenditure</b>		
Employee benefits expenses	156,058	137,542
Other service expenditure	30,013	29,221
Net pensions interest cost	45,503	48,391
<b>Total Expenditure</b>	<b>231,574</b>	<b>215,155</b>
<b>Income</b>		
Fees, charges and other service income	(6,035)	(5,355)
Government grants and contributions	(11,320)	(9,806)
<b>Total Income</b>	<b>(17,355)</b>	<b>(15,160)</b>
<b>Deficit/(Surplus) on the Provision of Services before Intra Group funding</b>	<b>214,220</b>	<b>199,994</b>
Intra group funding	(171,279)	(167,658)
<b>Deficit/(Surplus) on the Provision of Services</b>	<b>42,941</b>	<b>32,336</b>

## 6. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate use, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £202.4m.

### Exit Packages

Provisions for exit packages are based on information available at the time of the production of the accounts, there may be occasions where employees are subsequently redeployed resulting in the provision being overstated.

## 7. Post Balance Sheet Events

Post balance sheet events have been considered for the period from the year-end to the date the accounts were authorised for issue on 30 July 2018.

No adjusting events have occurred that require restatement of the Statement of Accounts.

## 8. Unusable Reserves

Movements in the Chief Constable's unusable reserves are detailed in the tables below:

Year Ended 31 March 2018	Pension Reserves £000	Comp' Absences Account £000	Total Unusable Reserves £000
<b>Balance at 1 April 2017</b>	<b>(1,719,958)</b>	<b>(774)</b>	<b>(1,720,732)</b>
Other comprehensive income and expenditure	31,690	-	<b>31,690</b>
<b>Total comprehensive income and expenditure</b>	<b>31,690</b>	<b>-</b>	<b>31,690</b>
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(65,453)	-	<b>(65,453)</b>
Contribution to the Police Pension Fund	22,489	-	<b>22,489</b>
Movement on the Compensated Absences Account	-	24	<b>24</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(42,964)</b>	<b>24</b>	<b>(42,940)</b>
<b>Increase / decrease in year</b>	<b>(11,274)</b>	<b>24</b>	<b>(11,250)</b>
<b>Balance at 31 March 2018</b>	<b>(1,731,232)</b>	<b>(750)</b>	<b>(1,731,982)</b>

Year Ended 31 March 2017	Pension Reserves £000	Comp' Absences Account £000	Total Unusable Reserves £000
<b>Balance at 1 April 2016</b>	<b>(1,371,314)</b>	<b>(691)</b>	<b>(1,372,005)</b>
Other comprehensive income and expenditure	(316,392)	-	<b>(316,392)</b>
<b>Total comprehensive income and expenditure</b>	<b>(316,392)</b>	<b>-</b>	<b>(316,392)</b>
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(54,342)	-	<b>(54,342)</b>
Contribution to the Police Pension Fund	22,090	-	<b>22,090</b>
Movement on the Compensated Absences Account	-	(84)	<b>(84)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(32,252)</b>	<b>(84)</b>	<b>(32,336)</b>
<b>Increase / decrease in year</b>	<b>(348,644)</b>	<b>(84)</b>	<b>(348,728)</b>
<b>Balance at 31 March 2017</b>	<b>(1,719,958)</b>	<b>(774)</b>	<b>(1,720,732)</b>

## 9. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17		2017/18	
£000	£000	£000	£000
		<b>Adjustment for non cash or cash equivalent items within deficit on provision of services:</b>	
-			-
-			-
32,252			42,964
<u>32,252</u>			<u>42,964</u>
	84	(24)	
	-	-	
	-	-	
	-	-	
84	<u>84</u>	<u>(24)</u>	<u>(24)</u>
<u><b>32,336</b></u>			<u><b>42,941</b></u>
		<b>The cash flows for operating activities include:</b>	
-			-
-			-

## 10. Officers Remuneration

The number of employees and senior police officers whose remuneration exceeded £50k in 2017/18 were as follows:

Remuneration	Chief Constable	
	2017/18	2016/17
£50,000 - £54,999	13	9
£55,000 - £59,999	8	3
£60,000 - £64,999	1	5
£65,000 - £69,999	5	3
£70,000 - £74,999	2	1
£75,000 - £79,999	2	2
£80,000 - £84,999	1	2
£85,000 - £89,999	4	3
£90,000 - £94,999	1	1
£95,000 - £99,999	1.6	0.6
£110,000 - £114,999	-	1
£120,000 - £124,999	1	-
£155,000 - £159,999	-	1
£160,000 - £164,999	1	-

“Remuneration” is defined, by regulation, as “all amounts paid to or receivable by an employee and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.”

Within the £95,000 - £99,999 band for the OPCC 0.6 FTE relates to the CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.6 relates to the Chief Constable share of the FTE based on days contracted.

In addition to the above the Accounts and Audit Regulations 2015 require a detailed disclosure of employees' remuneration for relevant senior police officers, certain statutory and non-statutory chief officers and other persons with a responsibility for management of the Constabulary. The officers listed in the following table are also included in the above banding disclosure note.

Position held	Salaries Fees and Allowances	Employers Pension Contributions	Benefits in Kind	Total
	£000	£000	£000	£000
<b>2017/18</b>				
Chief Constable - Simon Bailey	161	32	3	196
Deputy Chief Constable	121	28	1	150
Assistant Chief Constable (from 5.6.17)	89	22	-	111
Temporary Assistant Chief Constable (3.4.17 to 31.12.17 and from 31.3.18)	95	23	-	118
Temporary Assistant Chief Constable (1.1.18 to 30.3.18)	92	21	-	113
CFO (CC) - 0.6 FTE	66	-	-	66
<b>2016/17</b>				
Chief Constable - Simon Bailey	156	37	7	200
Deputy Chief Constable (left 02.10.16)	61	14	2	77
Deputy Chief Constable ((appointed 13.02.17) temporary from 03.10.16 to 12.02.17)				
Assistant Chief Constable ((09.05.16 - 02.10.16) temporary from 04.04.16 - 08.05.16)	113	25	3	141
Assistant Chief Constable (retired 07.09.16)	56	11	2	69
Temporary Assistant Chief Constable (appointed 03.10.16)	93	22	2	117
CFO (CC) - 0.61 FTE	66	0	-	66

During 2017/18, a chief officer from Suffolk Constabulary acted as Temporary Assistant Chief Constable in a joint capacity until 4 June 2017. From 5 June 2017 this position was filled by a Norfolk chief officer. Norfolk contributed 56.9% towards the cost of this post.

The Regulations also require disclosure of compensation for loss of employment and other payments to relevant police officers. No amounts were paid to the above officers in respect of these categories.

## 11. Related Parties

The Chief Constable is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable.

During 2017/18 there were no material related party transactions involving senior officers of the Constabulary, other than those included under employee's remuneration set out in Note 10 of these financial statements. All Chief Officers have been written to requesting details of any related party transactions and there are no disclosures.

Central Government has effective control over the general operations of the Chief Constable, it is responsible for providing the statutory framework within which the Chief Constable operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Chief Constable has with other parties. Income from central government is set out in Note 13 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements, these are fully disclosed in Note 18.

No other material transactions with related parties have been entered into except where disclosed elsewhere in the accounts.

## 12. External Audit Costs

The Chief Constable fees payable in respect of external audit services are as below. No audit fees have been payable for non audit work.

2016/17 £000		2017/18 £000
	The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts	
16	The Chief Constable of Norfolk	17
<u>16</u>		<u>17</u>
-	Rebate for prior years	(2)
<u>16</u>		<u>14</u>

The 2017/18 audit fees include an amount of £1.5k, attributable to the Chief Constable, in respect of 2016/17 which has not been provided for but which had been an approved increase to the original scale fees.

### 13. Grant Income

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

	Amount receivable for 17/18 £000	Amount receivable for 16/17 £000
<b>Credited to Services</b>		
Police incentivisation	119	235
Counter terrorism	585	183
Other specific grants	10,617	9,388
	<u>11,320</u>	<u>9,806</u>

Other specific grants credited to services include £4.0m Protective Services Grant, £2.3m CSE Grant and £2.8m Op Hydrant.

### 14. Private Finance Initiatives

#### Operations and Communications Centre at Wymondham

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

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

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

The payment recognised in the Chief Constable accounts for the services element during 2017/18 was £1,480m (£1,444m in 2016/17). Payments remaining to be made under the PFI contract for services at 31 March 2018 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	OCC Revenue Services £000
Payable in 2018/19	1,517
Payable within two to five years	6,458
Payable within six to ten years	8,539
Payable within eleven to fifteen years	9,075
Payable within sixteen to twenty years	7,401
	<u>32,990</u>



## Police Investigation Centres (PIC)

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

Norfolk and Suffolk PCCs have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the six properties located in the two counties – this being Norfolk 58.2% and Suffolk 41.8%. The payment recognised in the Chief Constable accounts is for the net services element which during 2017/18 amounted to £1.273m (£0.999m in 2016/17). This figure includes a credit received from Cambridgeshire Police for £0.509m in respect of services provided at the Kings Lynn PIC.

The PCC makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 (which exclude any availability/ performance deductions or amounts receivable from Cambridgeshire Police), are shown in the following table:

	<b>PIC Revenue Services £000</b>
Payable in 2018/19	2,138
Payable within two to five years	7,571
Payable within six to ten years	12,411
Payable within eleven to fifteen years	13,421
Payable within sixteen to twenty years	13,654
Payable within twenty one to twenty five years	10,887
	<b><u>60,082</u></b>

## 15. Termination Benefits

The number of exit packages with a total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band including Special Payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages		Total Value of Exit Packages	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£0 - £20,000	71	8	-	-	71	8	669	99
£20,001 - £40,000	9	-	-	-	9	-	268	-
£40,001 - £60,000	15	-	1	-	16	-	851	-
£60,001 - £80,000	3	1	-	-	3	1	199	77
£80,001 - £100,000	4	-	-	-	4	-	342	-
£100,000 - £120,000	1	-	-	-	1	-	103	-
	<u>103</u>	<u>9</u>	<u>1</u>	<u>-</u>	<u>104</u>	<u>9</u>	<u>2,431</u>	<u>176</u>

## 16. Defined Benefit Pension Schemes

### Participation in pension schemes

Pension and other benefits are available to all PCC and Constabulary personnel under the requirements of statutory regulations. Four defined benefit pension schemes are operated:

- a) The Local Government Pension Scheme (LGPS) for PCC and Constabulary police staff, administered by Norfolk County Council – this is a funded defined benefit scheme, meaning that the office holders and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets.

From April 2014 the LGPS changed to a career average defined benefit scheme, so that benefits accrued are worked out using the employee's pay each scheme year rather than the final salary. This applies to all membership which builds up from 1 April 2014, but all pensions in payment or built up before April 2014 are protected. Employee contributions are determined by reference to actual pensionable pay and are tiered between 5.5% and 12.5%.

- b) The Police Pension Scheme (PPS) for police officers who joined before April 2006. The employee contributions are 14.25%-15.05% of salary and maximum benefits are achieved after 30 years' service. Contribution rates are dependent on salary.
- c) The New Police Pension Scheme (NPPS) for police officers who either joined from April 2006 or transferred from the PPS. The employee contributions are 11.00%-12.75% of salary and maximum benefits are achieved after 35 years' service. Contribution rates are dependent on salary.
- d) The Police Pension 2015 Scheme for police officers, is a Career Average Revalued Earnings (CARE) scheme, for those who either joined from April 2015 or transferred from PPS or NPPS. The employee contributions are 12.44%-13.78% of salary and the Normal Pension Age is 60 although there are protections for eligible officers to retire earlier. Contribution rates are dependent on salary.

All police pension schemes are unfunded defined benefit schemes, meaning that there are no investment assets built up to meet pension liabilities. There is a Home Office requirement to charge the CIES with an employer's contribution of 24.2% of pensionable pay, the CIES also meets the costs of injury awards and the capital value of ill-health benefits. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2015 as 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

The PCC is also required to maintain a Police Pension Fund Account. Employer and employee contributions are credited to the account together with the capital value of ill-health retirements and transfer values received. Pensions and other benefits (except injury awards) and transfer values paid are charged to this account. If the account is in deficit at 31 March in any year, the Home Office pays a top-up grant to cover it. If there is a surplus on the account, then that has to be paid to the Home Office.

### Transactions relating to post-employment benefits

The cost of retirement benefits are recognised in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of benefits is reversed out of the General Fund in the MiRS.

The note below contains details of the Group's operation of the Local Government Pension Scheme (administered by Norfolk County Council) and the Police Pension Schemes in providing police staff and police officers with retirement benefits. In addition, the Group has arrangements for the payment of discretionary benefits to certain retired employees outside of the provisions of the schemes. The following transactions have been made in the CIES and the General Fund via the MiRS during the year:

	LGPS		Police Schemes	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Current service costs	12,911	7,252	28,290	20,280
Past service Costs	859	201	1,060	60
<b>Financing and investment income and expenditure</b>				
Net interest expense	2,373	1,641	43,130	46,750
<b>Total Post Employment Benefit Charges to the Surplus Deficit on the Provision of Service</b>	<b>16,143</b>	<b>9,094</b>	<b>72,480</b>	<b>67,090</b>
<b>Other post employment benefit charged to the CIES</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(806)	(13,375)	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	(1,763)	(54,590)	(29,850)
- Actuarial gains/losses arising from changes in financial assumptions	(6,911)	54,064	52,380	309,870
- Other	(5)	378	(21,758)	(2,932)
	<u>(7,722)</u>	<u>39,304</u>	<u>(23,968)</u>	<u>277,088</u>
<b>Total post employment benefit charged to the CIES</b>	<b>8,421</b>	<b>48,398</b>	<b>48,512</b>	<b>344,178</b>
<b>Movement in Reserves Statement (MRS):</b>				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	<u>(8,421)</u>	<u>(48,398)</u>	<u>(48,512)</u>	<u>(344,178)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	7,947	6,275	-	-
Retirement benefits payable to pensioners	-	-	37,712	37,658
<b>Net charge to the General Fund</b>	<b>7,947</b>	<b>6,275</b>	<b>37,712</b>	<b>37,658</b>

#### Assets and liabilities in relation to retirement benefits

	Local Government Pension Scheme		Police Pension Schemes	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Present value of liabilities	(288,256)	(276,404)	(1,642,320)	(1,631,520)
Fair value of plan assets	199,344	187,966	-	-
<b>Total Net liabilities</b>	<b>(88,912)</b>	<b>(88,438)</b>	<b>(1,642,320)</b>	<b>(1,631,520)</b>

## Reconciliation of present value of the scheme liabilities

	Local Government		Police	
	Pension Scheme		Pension Schemes	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Opening Balance at 1 April	276,404	211,390	1,631,520	1,325,000
Current service cost	12,911	7,252	28,290	20,280
Interest cost	7,329	7,477	43,130	46,750
Contributions by scheme participants	2,096	2,034	8,200	7,800
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	(1,763)	(54,590)	(29,850)
- Actuarial gains/losses arising from changes in financial assumptions	(6,911)	54,064	52,380	309,870
- Other	(15)	322	(21,758)	(3,025)
Past service costs	859	201	1,060	60
Benefits Paid	(4,417)	(4,573)	(45,912)	(45,365)
<b>Closing Balance at 31 March</b>	<b><u>288,256</u></b>	<b><u>276,404</u></b>	<b><u>1,642,320</u></b>	<b><u>1,631,520</u></b>

## Reconciliation of fair value of the scheme assets

	Funded Assets		Unfunded Assets	
	Local Government		Police	
	Pension Scheme		Pension Schemes	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Opening fair value of scheme assets at 1 April	187,966	165,075	-	-
Interest Income	4,956	5,836	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	806	13,375	-	-
Other	(10)	(56)	-	(93)
The effect of changes in foreign exchange rates				
Contributions from employer	7,947	6,275	37,712	37,658
Contributions from employees into the scheme	2,096	2,034	8,200	7,800
Benefits paid	(4,417)	(4,573)	(45,912)	(45,365)
<b>Closing fair value of Scheme Assets at 31 March</b>	<b><u>199,344</u></b>	<b><u>187,966</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

## Total of Assets and Liabilities of the schemes

	Local Government		Police	
	Pension Scheme		Pension Schemes	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Opening Balance at 1 April	(88,438)	(46,315)	(1,631,520)	(1,325,000)
Current service cost	(12,911)	(7,252)	(28,290)	(20,280)
Interest cost	(2,373)	(1,641)	(43,130)	(46,750)
Return on plan assets (excluding the amount included in the net interest expense)	806	13,375	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	1,763	54,590	29,850
- Actuarial gains/losses arising from changes in financial assumptions	6,911	(54,064)	(52,380)	(309,870)
- Other	5	(378)	21,758	2,932
Past service costs	(859)	(201)	(1,060)	(60)
Contributions from Employers	7,947	6,275	37,712	37,658
<b>Closing Balance at 31 March</b>	<b>(88,912)</b>	<b>(88,438)</b>	<b>(1,642,320)</b>	<b>(1,631,520)</b>

The total net pensions liabilities of £1,731m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1.732m. However, the financial position of the Chief Constable remains sound as the liabilities will be spread over many years as follows:

- The net liability on the local government scheme will be covered by contributions over the remaining working life of employees, as assessed by the scheme actuary.
- The net costs of police pensions which are the responsibility of the PCC will be covered by provision in the revenue budget and any costs above that level will be funded by the Home Office, under the change which came into effect from April 2006.

Actuarial losses on scheme assets represent the difference between the actual and expected return on assets, actuarial gains on scheme liabilities arise from more favourable financial assumptions.

The County Council is required to have a funding strategy for elimination of deficits, under regulations effective from 1 April 2005. The strategy allows deficits to be cleared over periods up to 20 years.

The Police Pension Schemes have no assets to cover their liabilities, the Chief Constable's share of the assets in the County Council Pension Fund are valued at fair value, principally market value for investments and consist of the categories in the following table.

	Fair Value of Scheme Assets	
	31 March	31 March
	2018	2017
	£000	£000
Cash and cash equivalents	7,428	5,415
Equity instruments - industry type:		
- Consumer	13,107	13,997
- Manufacturing	11,178	10,922
- Energy and utilities	3,557	5,221
- Financial institutions	11,121	12,080
- Health and care	3,653	5,682
- Information technology	6,251	5,372
Sub total Equity	<b>48,866</b>	<b>53,274</b>
Bonds - by Sector		
- Government	3,001	0
Sub total Bonds	<b>3,001</b>	<b>0</b>
Property - by type		
- UK property	17,487	17,543
- Overseas property	2,867	2,934
Sub total Property	<b>20,354</b>	<b>20,477</b>
Private equity - all:	<b>11,013</b>	<b>11,746</b>
Other investment funds:		
- Equities	53,369	49,918
- Bonds	55,160	47,504
Sub total other investment funds	<b>108,529</b>	<b>97,422</b>
Derivatives:		
- Foreign exchange	304	(389)
- Other	(151)	0
Sub total Derivatives	<b>153</b>	<b>(389)</b>
<b>Total Assets</b>	<b>199,344</b>	<b>187,944</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Within the Police Schemes, the age profile of the active membership is not rising significantly, which means that the current service cost in future years will not rise significantly as a result of using the projected unit credit method.

The police officer schemes liabilities have been assessed by the Government Actuary Department and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The actuary

has confirmed that for police staff, there is no reason to believe that the age profile is rising significantly. The main assumptions used in their calculations are shown below.

	Local Government		Police	
	Pension Scheme		Pension Schemes	
	2017/18	2016/17	2017/18	2016/17
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	22.1	22.1	22.6	23.2
Women	24.4	24.4	24.2	25.2
Longevity at 65 for future pensioners				
Men	24.1	24.1	24.5	25.2
Women	26.4	26.4	26.1	27.3
Rate of inflation (CPI - LGPS and CPI - PPS)	2.40%	2.40%	2.30%	2.35%
Rate of increases in salaries	2.70%	2.70%	4.30%	4.35%
Rate of increases in salaries (short term)			4.30%	1.00%
Rate of increase in pensions	2.40%	2.40%	2.30%	2.35%
Rate for discounting scheme liabilities	2.70%	2.60%	2.55%	2.65%
Rate of CARE revaluation	n/a	n/a	3.55%	3.60%

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 others 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 following sensitivity analyses did not change from those used in the previous period.

	Local Government		Police	
	Pension Scheme		Pension Schemes	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	13.0%	36,379	10.0%	166,000
1 year increase in member life expectancy	3.5%	8,667-14,445	2.5%	40,000
0.5% increase in the Salary Increase Rate	2.0%	6,902	1.5%	23,000
0.5% increase in the Pension Increase Rate	10.0%	28,890	8.0%	131,000

## Impact on the Chief Constable'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 changes in the employer contribution rate payable to +/- 0.5% of pensionable pay. Following the triennial valuation of the pension fund as at 31 March 2010 by the Actuary, the expression of deficit recovery was changed from a percentage of the payroll to an annual amount due with effect from 1 April 2011. Deficit recovery contributions are expressed as an annual amount due (payable in twelve monthly instalments with the contribution pay over).

The service contribution rate and annual deficit payment since 1 April 2016 along with the contribution rate to 31 March 2020 following the triennial valuation as at 31 March 2016 are shown in the following table:

	<b>Future Service Contribution Rate %</b>	<b>Annual Deficit Recovery Contribution £000</b>
1 April 2016 to 31 March 2017	13.0%	2,128
1 April 2017 to 31 March 2018	17.8%	872
1 April 2018 to 31 March 2019	17.8%	1,050
1 April 2019 to 31 March 2020	17.8%	1,237

Estimated employer's contributions for 2018/19 amount to £6.78m on the LGPS and £35.7m on the Police Schemes.

Maturity profile of the defined benefit obligation:

	<b>LGPS</b>			<b>Police Pension Schemes excluding injury</b>		
	<b>Funded Liability split as at 31 March 2018 £000</b>	<b>Funded Liability split as at 31 March 2018 %</b>	<b>Weighted Average Duration at Previous Formal</b>	<b>Liability split as at 31 March 2018 £000</b>	<b>Liability split as at 31 March 2018 %</b>	<b>Weighted average duration of the defined benefit</b>
Active members	157,787	54.8%	26.7	763,780	46.5%	
Deferred members	56,565	19.6%	26.7	43,870	2.7%	
Pensioner members	73,689	25.6%	12.6	834,670	50.8%	
<b>Total</b>	<b>288,041</b>	<b>100%</b>	<b>21.8</b>	<b>1,642,320</b>	<b>100%</b>	<b>20</b>

No breakdown by member type was provided by the actuary in respect of the weighted average for the police officer schemes.



## 17. Creditors

The balance of creditors is made up of the following:

	2017/18 £000	2016/17 £000
<b>Short term creditors:</b>		
Other entities and individuals	750	774
<b>Balance at 31 March</b>	<u>750</u>	<u>774</u>

## 18. Jointly Controlled Operations and Jointly Controlled Assets

Norfolk and Suffolk Constabularies have implemented and are developing ways in which both forces can work together to improve performance and to make financial savings. Currently, from a collaborative point of view, the forces are focusing on Protective Services, Justice Services, Business Support and elements of County Policing. At 31 March 2018 significant progress towards fully collaborated units had been made, with many units working as joint departments, with operational cost sharing, while other units currently only share common management costs. Although both forces control their own financial arrangements in respect of these units, an agreement was drawn up to enable certain costs to be shared on an agreed ratio. The PCC regards these units as Jointly Controlled Operations. The agreed shared costs of fully collaborated units that arose during the year was as follows:

	Business Support £000	Justice Services £000	Protective Services £000	County Policing £000	Total £000
<b>2017/18</b>					
Suffolk PCC	16,372	9,924	15,170	1,263	42,729
Norfolk PCC	21,615	13,101	20,028	1,667	56,411
<b>Total shared running costs</b>	<u>37,987</u>	<u>23,025</u>	<u>35,198</u>	<u>2,930</u>	<u>99,140</u>
<b>2016/17</b>					
Suffolk PCC	16,816	8,955	15,396	1,023	42,190
Norfolk PCC	22,110	11,774	20,242	1,345	55,472
<b>Total shared running costs</b>	<u>38,926</u>	<u>20,729</u>	<u>35,638</u>	<u>2,368</u>	<u>97,662</u>

On 1 April 2010, police forces within the Eastern Region entered into a collaborative agreement called the Eastern Region Specialist Operations Unit (ERSOU); Bedfordshire act as the lead PCC. The net expenditure incurred by each force is as follows:

	<b>Total 2017/18 £000</b>	<b>Total 2016/17 £000</b>
Operating costs	17,908	16,089
Specific Home Office grant	(2,997)	(2,676)
Other income	-	-
<b>Total Deficit/ (Surplus) for the year</b>	<b>14,911</b>	<b>13,414</b>
Contributions from forces:		
Bedfordshire	(1,692)	(1,828)
Cambridgeshire	(2,152)	(2,357)
Essex	(1,289)	(916)
Hertfordshire	(3,049)	(3,301)
Kent	(1,563)	(406)
Norfolk	(2,478)	(2,671)
Suffolk	(1,877)	(2,040)
<b>Deficit/ (Surplus) for the year</b>	<b>810</b>	<b>(106)</b>
Norfolk underspend held in Balance Sheet	145	1

## 19. Contingent Liabilities

### MMI Ltd

The insurance company Municipal Mutual Insurance Limited (MMI) ceased trading in 1992 and ceased to write new or renew policies. Potentially claims can still be received as the company continues to settle outstanding liabilities. A scheme of arrangement is in place, however this arrangement will not meet the full liability of all claims and a current levy of 25% will be chargeable in respect of successful claims on MMI's customers. There is currently one open claim against Norfolk Constabulary. As this point in time, it is not possible to calculate the full amount payable on MMI claims.

### Capped Overtime Claims

The organisation has a liability in respect of historic overtime claims including Covert Human Intelligence Source (CHIS) handlers and those of a similar nature. Officers from Devon and Cornwall Police claimed successfully in the County Court (October 2013) that they were owed payments under Police Regulations 2003. Their claims were upheld at the Court of Appeal. The claims relate to a cap being placed on overtime claims by the Chief Constable. Overtime caps were generally applied across the Police Service for CHIS and other claims. At this point in time Norfolk Police have 1 claim outstanding in respect of historic overtime relating to a CHIS Handler, a provision has been made in the Statement of Accounts for this. Overtime claims relating to ERSOU officers are currently being assessed, at this point in time it is unclear whether Norfolk Police will be liable to a proportion of the claims associated with ERSOU officers employed by Norfolk Police or by other forces, a national agreement is being pursued. The claims primarily cover the period when the units were under joint collaborative control with Suffolk Police, therefore where applicable any settlements will be shared in the appropriate cost sharing ratio.

### **Pension Regulations – Unlawful Discrimination**

The Chief Constable of Norfolk, along with the other Chief Constables and the Home Office, currently has 60 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the claims by officers. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the claims by officers. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2017/18 Accounting Statements.

### **Forensic Service Uncertainty**

The validity of evidence provided by a forensic testing company to the police service is currently under investigation. It is reasonable to anticipate that some people may have been convicted of offences based on flawed data and that conviction will have had a significant impact on their personal circumstances. As a result some kind of litigation is anticipated. At this point in time it is not possible to assess the number of claims or the financial exposure arising from them.

# Police Pension Fund Accounting Statements

## Fund Account

2016/17		2017/18	
£000	£000	£000	£000
	<b>Contributions receivable</b>		
	Employer		
	11,421	Normal	11,328
	1,108	Early retirements	852
	-	Other - 30+ payments	-
12,529	<u>        </u>		<u>        </u> 12,180
	Members		
	7,313	Normal	7,212
7,313	<u>        </u>		<u>        </u> 7,212
	<b>Transfers in</b>		
	514	Individual transfers in from other schemes	781
	-	Other	-
514	<u>        </u>		<u>        </u> 781
	<b>Benefits payable</b>		
(33,238)		Pensions	(34,702)
(10,739)		Commutations and lump sum retirement benefits	(9,290)
-		Lump sum death benefits	(77)
-		Other	-
(43,977)	<u>        </u>		<u>        </u> (44,069)
	<b>Payments to and on account of leavers</b>		
(21)		Refunds on contributions	(13)
-		Individual transfers out to other schemes	-
-		Other	(123)
(21)	<u>        </u>		<u>        </u> (136)
<u>(23,643)</u>		<b>Net amount receivable for the year before contribution from the Police General Fund</b>	<u>(24,031)</u>
<b>22,088</b>		<b>Contribution from the Police General Fund</b>	<b>22,489</b>
<b>1,555</b>		<b>Additional funding payable by the local policing body</b>	<b>1,542</b>
<u>        </u>		<b>Net balance receivable for the year</b>	<u>        </u>
<u>        </u>			<u>        </u>

The actuarial valuation has set the employer contribution rate for all three police pensions schemes from 1 April 2017 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

## Net Assets and Liabilities

	2016/17	2017/18
	£000	£000
<b>Net current assets</b>		
Net balance receivable from the Police General Fund	-	-
	<u>        </u>	<u>        </u>
	<u>        </u>	<u>        </u>

## Glossary of terms

For the purposes of the statement of accounts the following definitions have been adopted:

### **Accruals basis**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Actual return on plan assets**

The difference between the fair value of plan assets at the end of the period and the fair value at the beginning of the period, adjusted for contributions and payments of benefits.

### **Actuarial gains and losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) Events have not coincided with the actuarial assumptions made for the last valuations (experience gains and losses) or
- b) The actuarial assumptions have changed

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Contingent liability**

A contingent liability is either:

- a) A possible obligation arising from past events; it may be confirmed only if particular events happen in the future that are not wholly within the local authority's control; or
- b) A present obligation arising from past events, where economic transactions are unlikely to be involved or the amount of the obligation cannot be measured with sufficient reliability.

### **Current Service Costs**

The increase in pension liabilities as a result of years of service earned this year.

### **Defined benefit scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Government grants**

Part of the cost of service is paid for by central government from its own tax income. Specific grants are paid by the Home Office to the Group towards both revenue and capital expenditure.

### **Group**

The term Group refers to the Police and Crime Commissioner (PCC) for Norfolk and the Chief Constable (CC) for Norfolk.

### **Outturn**

The actual amount spent in the financial year.

### **Past Service Costs**

The increase in pension liabilities as a result of a scheme amendment or curtailment whose effect relates to year of service earned in earlier years.

### **Projected Unit Credit Method**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

**Precept**

The proportion of the budget raised from council tax.

**Provision**

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.

**Related parties**

Two or more parties are related parties when at any time during the financial period:

- a) One party has direct or indirect control of the other party; or
- b) The parties are subject to common control from the same source; or
- c) One party has influence over the financial and operational policies of the other party so that the other party might not always feel free to pursue its own separate interests; or
- d) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

**Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit credit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Settlement**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Vested Rights**

In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled to on leaving the scheme;
- b) for deferred pensioners, their preserved benefits;
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.