NORFOLK
CONSTABULARY
*Our Priority is You*

# THE CHIEF CONSTABLE OF NORFOLK CONSTABULARY

# STATEMENT OF ACCOUNTS

# 31 March 2019

# DRAFT

## Statement of Accounts

## for the year ended 31 March 2019

## Contents

**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 Finance 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**

## The Chief Finance Officer (CFO) of the Chief Constable Responsibilities

The Chief Constable's CFO 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 of the 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 of the 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 Finance 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 2019, and its income and expenditure for the year to that date.

**Peter Jasper, Assistant Chief Officer**

# Narrative Report

## Introduction

This Narrative Report provides information about Norfolk Constabulary, including the key issues affecting its accounts. It also provides a summary of the financial position at 31st March 2019 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 2018/19 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 of Norfolk**

Under the Police Reform and Social Responsibility Act 2011 (the Act) the Police and Crime Commissioner for Norfolk (PCC) and the Chief Constable of 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. The estimated population of Norfolk was 898,390 (2017 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 24% of Norfolk's population aged 65 and older compared with 20% in England (2017 estimate). Over the next 20 years there is a projected growth of 104,000 people in Norfolk with those aged 65+ making up almost a third of the population[1].

Norfolk is a popular tourist destination, and in 2017 the county received 3.3m overnight visitors per year and 43,500,000 day trips were made. The number of jobs in the county's tourism sector in 2017 was 65,000, accounting for 18% of all employment[2]. Norfolk's visitor economy in 2017 was calculated at £3.25bn. 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 Police and Crime Plan recently issued by the Police and Crime Commissioner. Norfolk Constabulary supports hundreds of events throughout the year, Norwich City football matches, Norwich Pride, the Sundown music festival and numerous other local carnivals and occasions.

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 comprises 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 recent years. 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 continues to present a significant challenge for the Constabulary, as the organisation strives to maintain the highest level of service to the communities of Norfolk, with the financial legacy of constrained funding.

To respond to this the Constabulary continues to shape its future through the Norfolk 2020 change programme. 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 funding and changing demand.

The review, commissioned in 2015, is continuing to drive out efficiencies by better demand management and identification of the most effective ways to deliver services in the future, protecting individuals and communities from harm.

**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.

[1] https://www.norfolkinsight.org.uk/population/#page3
[2] https://www.visitnorfolk.co.uk/inspire/Norfolk-tourism-record-numbers-2018.aspx

The two police forces have been collaborating for nearly a decade, with the programme of collaborative work delivering an extensive number of joint units and departments that encompasses most functions except local policing and includes 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, Hertfordshire and Kent.

There is also a 7 Forces Strategic Collaboration Programme currently working on other areas for wider collaboration, convergence and savings, and there is currently an ongoing process to create a 7 Force Commercial Procurement team that will be fully implemented by the end of 2019/20.

Norfolk is also part of a well established 10 force consortium for insurance known as the South East and Eastern Regional Police Insurance Consortium (SEERPIC).

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 enabling powers for PCCs in England to take responsibility for the governance of their local fire and rescue services.

The Norfolk Office of the PCC retained consultants prepared 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 Business case sets out the details of the proposal to adopt the new Governance Model, based on the Governments statutory test of being in the interest of improving economy, efficiency and effectiveness, while maintaining and where possible improving public safety.

Following extensive public consultation, the Business case for change has been reassessed against the critical success factors. As a result, the Governance Model does not currently offer the best balance of benefits and risks, primarily due to the high risk of failure to deliver the project due to lack of stakeholder consensus. The project is 'paused' at this time.

However, 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 PCC 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 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.

Notably 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, whilst liabilities for employment and post-employment benefits have been transferred to the Chief Constable's Balance Sheet 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 2018/19 statement of accounts for the Chief Constable 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, 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.

The Accounting Policies are disclosed in Note 1 of the Notes to the Financial Statements.

## 4. The 2018/19 Revenue and Capital Budget Process

A joint financial planning process took place between September 2017 and January 2018 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 2018/19 police budget on 29 November and closed it on 22 December. The consultation took the form of an online and hard copy survey and an intensive programme of media, communications and engagement activity.

The results were collated towards the end of January 2018 and presented by the PCC to the Police and Crime Panel at its meeting on 6 February 2018.

These spending plans were then incorporated into the Medium-Term Financial Plan of the PCC that covered the period 2018/19 to 2022/23 and was signed off in February 2018.

The Medium-Term Financial Plans for the PCC are available on 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, increasing legislative and regulatory cost pressures and ongoing investment in modernising the Constabulary through improved digital infrastructure and technology.

Savings plans of £3.036m were identified for 2018/19, and those savings have been achieved. As a result of service and funding pressures, the Constabulary is required to achieve savings of £1.993m in 2019/20. 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. This commitment is evidenced by the recent HMICFRS assessment, that judged the Constabulary as "Outstanding" in terms of its efficiency.

There is more information about the impact of the Home Office settlement for 2019/20 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:

| | Total | Officers | Staff |
|---|---|---|---|
| **Year-end** | | | |
| 31 March 2018 | £1,729 m | £1,642 m | £87 m |
| 31 March 2019 | £1,839 m | £1,720 m | £119 m |

These liabilities result in the Balance Sheet showing net overall liabilities of £1,840m at 31 March 2019, 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

## 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 2019 there were 61,597 recorded crimes, 14% more than the long-term average. These increases 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 result of these strategies has been rises in recorded violence, sexual crime and domestic abuse.

The Constabulary continues to prioritise services to vulnerable and at risk victims, targets perpetrators who cause the highest harm, continues robust operational responses to the threat of 'county lines' organised crime groups, tackles modern slavery, and targets 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 PCC's 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.

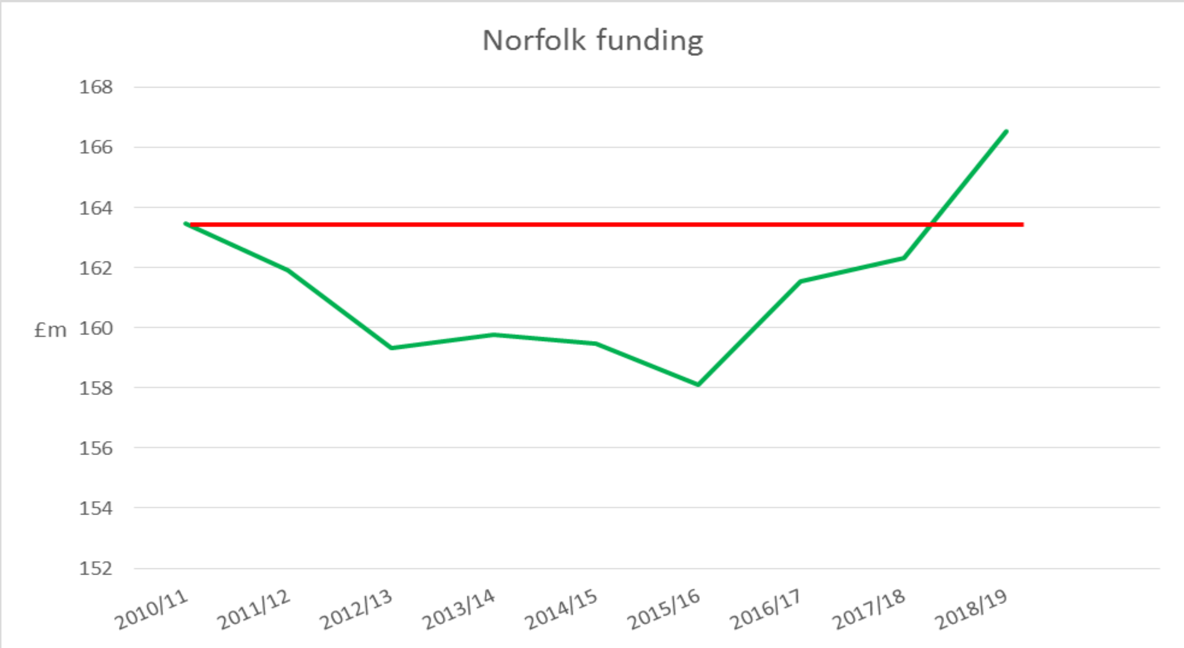
The following table shows the 'year-end' position for some of the more easily available Police and Crime Plan key performance indicators where prior year data is available. Full details will be published in the PCC's Annual Report in the autumn.

| Area | Indicator | 2017/18 | 2018/19 |
|---|---|---|---|
| **Domestic Abuse** | *Number of crimes* | 8,081 | 9,674 |
| | *Solved rate* | 22% | 15% |
| **Serious Sexual Offences** | *Number of crimes* | 1,959 | 1,979 |
| | *Solved rate* | 9% | 7% |
| **Child Sexual Abuse** | *Number of crimes* | 1,532 | 1,437 |
| | *Solved rate* | 13% | 10% |
| **Hate Crime** | *Number of crimes* | 1,234 | 1,086 |
| | *Solved rate* | 18% | 18% |
| **Online Crime** | *Number of crimes* | 1,260 | 1,390 |
| | *Solved rate* | 17% | 13% |
| **Call Handling** | *% 999 calls answered in 10 seconds* | 89% | 91% |
| **Emergency Response** | *% of emergencies responded to in target time* | 90% | 90% |
| **Road Safety** | *Number of KSI collisions* | 384 | 418 |

Demands on the Constabulary have changed in nature in recent years. Acquisitive crimes have reduced, while 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, 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 consistently in the top ten highest of any force in England and Wales.

## 7. Looking Forward

2019/20 will be the tenth year of austerity. In 2010/11 Norfolk's direct funding (main grant plus precept plus specific grants) was £163.5m and in 2018/19 it was £166.5m. As the table shows below 2018/19 was the first year that the amount of cash received was higher than 2010. Allowing for average inflation of 2% each year since 2010 Norfolk has absorbed £25m of general inflationary pressure over that period.




As well as needing to accommodate general inflationary pressures on pay and prices, over recent years the Constabulary has had to absorb other cost pressures such as the impact of funding recent pension increases for officers (that hitherto were funded centrally), the Apprenticeship Levy, changes to National Insurance and insurance premium tax (to name but a few). Legislative and regulatory changes also create cost pressures that have to be absorbed for example changes to the Bail Act, and the introduction of the Police Education Qualification Framework (PEQF).

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 knife crime and youth violence, domestic abuse, rape and serious sexual offences, adult and child abuse and cyber enabled / other forms of 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 been addressed in the development of the Medium Term Financial Plan (MTFP).

The PCC's strategic aim, in line with the recent public consultation, is to increase visibility. At the maximum precept level it should also be possible to continue the significant investment in short-life assets including the increased use of drones by officers which will ensure greater visibility and better efficiency of operations.

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 funding context for the future continues to be challenging. In the MTFP, inflation is forecast at 2% for both pay and non-pay, and this means additional costs in the region of £3m per year before other pressures such as those outlined above are included and indeed if pay or non-pay inflation exceeded the forecasts.

The main focus of the Service and Financial Planning process is to continue to drive out efficiencies in both forces, and ensure both Norfolk and Suffolk understand demand, and can align resources to these demands. As part of this process for 2019/20 to 2022/23, savings of £3.3m in 2019/20 have been identified from the collaborative units (Norfolk's share is £2.0m rising to £2.9m by 2022/23). These have been assessed in terms of risks and impact on outcomes using the improved OBB model that also now uses information from the new Force Management Statements. Detailed business cases will now be prepared to realise these savings during 2019/20 and 2020/21. Other areas have also been identified and scoped to be developed into detailed business cases in the latter years of the plan, up to 2022/23. The PCC and Chief Constable are committed to delivering these further efficiencies.

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 that budgets can be balanced over the medium-term and beyond.

Nationally, to help deliver the Policing Vision for 2025, and meet the 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.

To remain as efficient as possible, the Constabulary must continue to invest in and refresh technology that keeps the policing model fit-for-purpose and able to meet increasing demand and the changing nature of crime. This investment is significant and has a direct impact on the revenue budget. This includes significant investment in refreshing the growing ICT / digital estate; increasing investment in infrastructure to deal with the growth in requirements for investigating, storing and managing 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 inter-operability 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.

The PCC has published the Reserves Strategy and the Capital Strategy in the new MTFP for 2019/20 to 2022/23 and these can be found at the address below:

https://www.norfolk-pcc.gov.uk/documents/finance/budget/201920/budget_report_to_panel/BudgetReportToPanel050219.pdf

The financial, economic and operational 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 and that increased efficiency is kept at the heart of these developments.

**Peter Jasper**

**Assistant Chief Officer**

# Comprehensive Income and Expenditure Statement
# for the Chief Constable of Norfolk Constabulary
# for the year ended 31 March 2019

| Gross Expenditure 2017/18 £000 | Income 2017/18 £000 | Net Expenditure 2017/18 £000 | | Note | Gross Expenditure 2018/19 £000 | Income 2018/19 £000 | Net Expenditure 2018/19 £000 |
|---|---|---|---|---|---|---|---|
| | | | **Division of Service:** | | | | |
| 186,112 | (17,355) | 168,757 | Constabulary | | 181,687 | (16,135) | 165,552 |
| **186,112** | **(17,355)** | **168,757** | **Net Cost of Police Services before group funding** | | **181,687** | **(16,135)** | **165,552** |
| | **(171,319)** | **(171,319)** | **Intra-group funding** | **4** | | **(170,528)** | **(170,528)** |
| **186,112** | **(188,674)** | **(2,562)** | **Net Cost of Policing Services** | **Page 18** | **181,687** | **(186,663)** | **(4,976)** |
| | | | **Financing and Investment Income and Expenditure:** | | | | |
| - | - | - | Interest payable and similar charges | | - | - | - |
| 45,503 | - | 45,503 | Pensions interest cost | **13** | 44,172 | - | 44,172 |
| **45,503** | **-** | **45,503** | | | **44,172** | **-** | **44,172** |
| | | **42,941** | **Deficit/(Surplus) on the Provision of Services** | | | | **39,196** |
| | | | **Other Comprehensive Income and Expenditure:** | | | | |
| | | (33,471) | Remeasurements of the net defined benefit liability | **13** | | | 70,330 |
| | | **(33,471)** | | | | | **70,330** |
| | | **9,470** | **Total Comprehensive Income and Expenditure** | | | | **109,526** |

# Balance Sheet for the Chief Constable of Norfolk Constabulary as at 31 March 2019

| 31 March 2018 £000 | | Notes | 31 March 2019 £000 |
|---|---|---|---|
| - | TOTAL ASSETS | | - |
| 750 | Short-term creditors and accruals | 14 | 762 |
| 750 | **Current Liabilities** | | 762 |
| 1,729,452 | Liability related to defined benefits | 13 | 1,838,964 |
| 1,729,452 | **Long Term Liabilities** | | 1,838,964 |
| **1,730,202** | **TOTAL LIABILITIES** | | **1,839,726** |
| **(1,730,202)** | **NET ASSETS / (LIABILITIES)** | | **(1,839,726)** |
| - | Usable reserves | Page 16 | - |
| (1,730,202) | Unusable reserves | Page 16 | (1,839,726) |
| **(1,730,202)** | **TOTAL RESERVES** | | **(1,839,726)** |

**The unaudited accounts were issued on** **28 May 2019**

**Peter Jasper, Assistant Chief Officer** **28 May 2019**

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

| Year Ended 31 March 2019 | Note | General Fund Balance £000 | Total Usable Reserves £000 | Pension Reserves £000 | Comp' Absences Account £000 | Total Unusable Reserves £000 | Total Reserves £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2018** | | - | - | (1,729,451) | (750) | (1,730,201) | (1,730,201) |
| **Movement in Reserves during 2018/19** | | | | | | | |
| Surplus or (deficit) on provision of services (accounting basis) | Page 14 | (39,196) | (39,196) | - | - | - | (39,196) |
| Other comprehensive income and expenditure | Page 14 | - | - | (70,330) | - | (70,330) | (70,330) |
| **Total comprehensive income and expenditure** | | (39,196) | (39,196) | (70,330) | - | (70,330) | (109,526) |
| Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements | | 64,325 | 64,325 | (64,325) | - | (64,325) | - |
| Contribution to the Police Pension Fund | | (25,142) | (25,142) | 25,142 | - | 25,142 | - |
| Movement on the Compensated Absences Account | | 12 | 12 | - | (12) | (12) | - |
| **Adjustments between accounting basis and funding basis under regulations** | | 39,195 | 39,195 | (39,183) | (12) | (39,195) | - |
| **Increase / (decrease) in year** | | - | - | (109,513) | (12) | (109,525) | (109,525) |
| **Balance at 31 March 2019** | | - | - | (1,838,964) | (762) | (1,839,726) | (1,839,726) |

## Year ended 31 March 2018

| Year ended 31 March 2018 | Note | General Fund Balance £000 | Total Usable Reserves £000 | Pension Reserves £000 | Comp' Absences Account £000 | Total Unusable Reserves £000 | Total Reserves £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2017** | | - | - | (1,719,958) | (774) | (1,720,734) | (1,720,734) |
| **Movement in Reserves during 2017/18** | | | | | | | |
| Surplus or (deficit) on provision of services (accounting basis) | Page 14 | (42,941) | (42,941) | - | - | - | (42,941) |
| Other comprehensive income and expenditure | Page 14 | - | - | 33,471 | - | 33,471 | 33,471 |
| **Total comprehensive income and expenditure** | | (42,941) | (42,941) | 33,471 | - | 33,471 | (9,470) |
| Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements | | 65,453 | 65,453 | (65,453) | - | (65,453) | - |
| Contribution to the Police Pension Fund | | (22,489) | (22,489) | 22,489 | - | 22,489 | - |
| Movement on the Compensated Absences Account | | (24) | (24) | - | 24 | 24 | - |
| **Adjustments between accounting basis and funding basis under regulations** | | 42,941 | 42,940 | (42,964) | 24 | (42,940) | - |
| **Increase / (decrease) in year** | | - | - | (9,493) | 24 | (9,469) | (9,469) |
| **Balance at 31 March 2018** | | - | - | (1,729,451) | (750) | (1,730,203) | (1,730,203) |

# Cash-flow Statement for the Chief Constable for Norfolk Constabulary
# for the year ended 31 March 2019

| 2017/18 £000 | | Note | 2018/19 £000 |
|---|---|---|---|
| (42,941) | **Net Surplus/(deficit) on the provision of services** | Page 14 | (39,196) |
| | **Adjustment for non cash or cash equivalent movements** | | |
| 42,965 | Movements on pension liability | | 39,183 |
| (24) | Increase/(decrease) in revenue creditors | | 12 |
| **42,941** | **Net adjustment for non cash or cash equivalent movements** | | **39,196** |
| - | **Net increase or (decrease) in cash and cash equivalents** | | - |
| - | Cash and cash equivalents at the beginning of the reporting period | | - |
| - | **Cash and cash equivalents at the end of the reporting period** | | - |

# 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 Narrative Report to the CIES.

| Constabulary | Net Expenditure Chargeable to the General Fund Balances £000 | Adjustments between Funding and Accounting Basis £000 | Net Expenditure in the CIES £000 |
|---|---|---|---|
| **Year Ended 31 March 2019** | | | |
| Constabulary | 145,387 | 20,165 | 165,552 |
| Intra-group funding | (170,528) | - | (170,528) |
| **Net cost of police services** | **(25,142)** | **20,165** | **(4,976)** |
| Other income and expenditure | 25,142 | 19,030 | 44,172 |
| **Deficit/(surplus) on the provision of services** | - | **39,195** | **39,196** |
| Opening general fund balance at 31 March 2018 | - | | |
| Less deficit on general fund in year | - | | |
| **Closing general fund balance at 31 March 2019** | **-** | | |
| **Year Ended 31 March 2018** | | | |
| Constabulary | 148,831 | 19,926 | 168,757 |
| Intra-group funding | (171,319) | - | (171,319) |
| **Net cost of police services** | **(22,488)** | **19,926** | **(2,562)** |
| Other income and expenditure | 22,488 | 23,014 | 45,503 |
| **Deficit/(surplus) on the provision of services** | - | **42,940** | **42,941** |
| Opening general fund balance at 31 March 2018 | - | | |
| Less deficit on general fund in year | - | | |
| **Closing general fund balance at 31 March 2018** | **-** | | |

# Notes to the Financial Statements for the Chief Constable of Norfolk Constabulary

**Table of Contents**

## 1. Accounting Policies

The Statement of Accounts summarises the Chief Constable's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Chief Constable 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. Those practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 4 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.

**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.

**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 entity 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 entity can no longer withdraw the offer of those benefits or when the entity 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 entity 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 Chief Constable 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.

Liabilities in the Police Pension Scheme are also discounted to their value at current prices, using a discount rate specified each year by the actuary.

The assets of the LGPS attributable to the Chief Constable 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 charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 Chief Constable 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 entity 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 Chief Constable 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.

**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 Chief Constable when there is reasonable assurance that:

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

Amounts recognised as due to the Chief Constable 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.

**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.

**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.

The amounts payable to the PFI operators each year are analysed into five elements; only the fair value of the services received during the year is debited to the Chief Constable's net cost of policing in the CIES. The other elements are only shown in the PCC and Group accounts.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Chief Constable 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 Chief Constable. 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 Chief Constable 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 Chief Constable – these reserves are explained in the following paragraph:

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 Chief Constable 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 Chief Constable makes employer's contributions to pension funds or eventually pays 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 Chief Constable has 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 or capitalised 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 Chief Constable's Comprehensive Income and Expenditure Statement, or if the expenditure relates to an asset, is capitalised as part of the value of that asset. 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 2018/19 (the Code), the Code is based on International Financial Reporting Standards (IFRSs).

The amendments required to be adopted under the 2019/20 Code are:

- Amendments to IAS 40 *Investment Property:* Transfers of Investment Property
- *Annual Improvements to IFRS Standards 2014-2016 Cycle* including
    - IFRS 12 *Disclosure of Interest in Other Entities: Clarification of the Scope of the Standard*
    - IAS 28 *Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (note that the amendments also allow for prospective application)
- IFRIC 23 *Uncertainty over Income Tax Treatments* and

- Amendments to IFRS 9 *Financial Instruments:* Prepayment Features with Negative Compensation.

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2019, and these IFRSs will be initially adopted as at 1 April 2019. The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The adoption of amendments to *Annual improvements to IFRS Standards 2014-2016 Cycle* above is made retrospectively in accordance with the Code.

The following amendments to IFRS Standards were not provided with EU endorsement by 1 January 2019 and are therefore not implemented in the 2019/20 Code:

- Amendments to IAS 28 *Investments in Associates and Joint Ventures:* Long-term Interest in Associates and Joint Ventures
- *Annual Improvements to IFRS Standards 2015-17 Cycle*
- Amendments to *IAS 19 Employee Benefits:* Plan Amendment, Curtailment or Settlement

It is not expected that the adoption of any of the standards listed above will have a material effect on the 2019/20 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 2019/20 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 2018/19 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

| Constabulary | Net Change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
|---|---|---|---|
| **Year Ended 31 March 2019** | | | |
| Constabulary | 20,153 | 12 | 20,165 |
| **Net Cost of Police Services** | **20,153** | **12** | **20,165** |
| Other income and expenditure | 19,030 | - | 19,030 |
| **Difference between General Fund Deficit/(Surplus) on the Provision of Services** | **39,183** | **12** | **39,195** |
| **Year Ended 31 March 2018** | | | |
| Constabulary | 19,950 | (24) | 19,926 |
| **Net Cost of Police Services** | **19,950** | **(24)** | **19,926** |
| Other income and expenditure | 23,014 | - | 23,014 |
| **Difference between General Fund Deficit/(Surplus) on the Provision of Services** | **42,964** | **(24)** | **42,940** |

**Expenditure and Income Analysed by Nature**

| | Total 2018/19 £000 | Total 2017/18 £000 |
|---|---|---|
| **Expenditure** | | |
| Employee benefits expenses | 152,772 | 156,058 |
| Other service expenditure | 28,915 | 30,054 |
| Net pensions interest cost | 44,172 | 45,503 |
| **Total Expenditure** | **225,859** | **231,615** |
| **Income** | | |
| Fees, charges and other service income | (6,830) | (6,035) |
| Government grants and contributions | (9,305) | (11,320) |
| **Total Income** | **(16,135)** | **(17,355)** |
| **Deficit/(Surplus) on the Provision of Services before Intra Group funding** | **209,724** | **214,260** |
| Intra group funding | **(170,528)** | (171,319) |
| **Deficit/(Surplus) on the Provision of Services** | **39,196** | **42,941** |

## 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 Chef Constable 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 £219.7m.

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.

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

## 8. Employees' Remuneration

The number of employees and senior police officers whose remuneration exceeded £50k in 2018/19 were as follows:

| | Chief Constable | |
|---|---|---|
| | 2018/19 | 2017/18 |
| **Remuneration** | | |
| £50,000 - £54,999 | 10 | 13 |
| £55,000 - £59,999 | 9.6 | 8 |
| £60,000 - £64,999 | 1 | 1 |
| £65,000 - £69,999 | 4 | 5.6 |
| £70,000 - £74,999 | 1 | 2 |
| £75,000 - £79,999 | 4 | 2 |
| £80,000 - £84,999 | 4 | 1 |
| £85,000 - £89,999 | 1 | 4 |
| £90,000 - £94,999 | 2 | 1 |
| £95,000 - £99,999 | - | 1 |
| £110,000 - £114,999 | 1 | - |
| £115,000 - £119,999 | 1 | - |
| £120,000 - £124,999 | - | 1 |
| £165,000 - £169,999 | 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 £55,000 - £59,999 band for the Chief Constable, 0.6 FTE relates to the Chief Constable CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.6 FTE relating to the Chief Constable's share of the full FTE is based on days contracted rather than salary.

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.

| | Salaries Fees and Allowances | Employers Pension Contributions | Estimated Benefits in Kind | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **2018/19** | | | | |
| **Position held** | | | | |
| Chief Constable - Simon Bailey | 165 | 0 | 3 | 168 |
| Deputy Chief Constable (to 01.10.18) | 80 | 14 | 1 | 95 |
| Temporary Deputy Chief Constable (from 25.09.18) | 111 | 26 | 1 | 139 |
| Assistant Chief Constable (to 24.09.18) | | | | |
| Assistant Chief Constable | 113 | 27 | 2 | 142 |
| Temporary Assistant Chief Constable (from 24.09.18) | 97 | 21 | - | 118 |
| CFO (CC) - 0.6 FTE (to 31.01.19) | 57 | - | - | 57 |
| | | | | |
| **2017/18** | | | | |
| **Position held** | | | | |
| Chief Constable - Simon Bailey | 164 | 32 | 5 | 201 |
| Deputy Chief Constable | 122 | 28 | 3 | 153 |
| Assistant Chief Constable (from 5.6.17) | 89 | 22 | 1 | 112 |
| Temporary Assistant Chief Constable | | | | |
| (3.4.17 to 31.12.17 and from 31.3.18) | 95 | 23 | 2 | 120 |
| Temporary Assistant Chief Constable | | | | |
| (1.1.18 to 30.3.18) | 92 | 21 | 3 | 116 |
| CFO (CC) - 0.6 FTE | 66 | - | - | 66 |

During 2018/19, a chief officer from Norfolk Constabulary acted as Assistant Chief Constable in a joint capacity, Suffolk contributed 43.0% 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.

The number of exit packages with a total cost per band 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 £000 | 2017/18 £000 |
| £0 - £20,000 | 15 | 71 | 1 | - | 16 | 71 | 143 | 669 |
| £20,001 - £40,000 | 3 | 9 | 1 | - | 4 | 9 | 106 | 268 |
| £40,001 - £60,000 | - | 15 | - | 1 | - | 16 | - | 851 |
| £60,001 - £80,000 | 2 | 3 | - | - | 2 | 3 | 122 | 199 |
| £80,001 - £100,000 | 2 | 4 | - | - | 2 | 4 | 175 | 342 |
| £100,000 - £120,000 | - | 1 | - | - | - | 1 | - | 103 |
| | 22 | 103 | 2 | 1 | 24 | 104 | 546 | 2,431 |

## 9. 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 2018/19 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 8 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 11 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements, these are fully disclosed in Note 15.

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

## 10. 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.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| | The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts | |
| 17 | The Chief Constable of Norfolk | 17 |
| **17** | | **17** |

The 2018/19 audit fees include an amount of £5.4k (2017/18 £1.5k), attributable to the Chief Constable, in respect of 2017/18 which has not been provided for but which had been an approved increase to the original scale fees.

## 11. Grant Income

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

| | Amount receivable for 18/19 £000 | Amount receivable for 17/18 £000 |
|---|---|---|
| **Credited to Services** | | |
| Police incentivisation | 86 | 119 |
| Counter terrorism | - | 585 |
| Vulnerability Coordination Centre | 371 | - |
| Other specific grants | 8,847 | 10,617 |
| | **9,305** | **11,320** |

Other specific grants credited to services include £1.4m Child Sexual Exploitation Grant, £1.8m for Operation Hydrant and £4.0m for a Specific Home Office Grant.

## 12. 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 2018/19 was £1,517m (£1,480m in 2017/18). Payments remaining to be made under the PFI contract for services at 31 March 2019 (excluding any estimation of inflation and availability / performance deductions) are as follows:

| | OCC Revenue Services £000 |
|---|---|
| Payable in 2019/20 | 1,555 |
| Payable within two to five years | 6,620 |
| Payable within six to ten years | 8,548 |
| Payable within eleven to fifteen years | 9,302 |
| Payable within sixteen to twenty years | 5,448 |
| | **31,473** |

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 2018/19 amounted to £1.579m (£1.273m in 2017/18). This figure includes a credit received from Cambridgeshire Police for £0.512m 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 2019 (which exclude any availability/ performance deductions or amounts receivable from Cambridgeshire Police), are shown in the following table:

| | PIC Revenue Services £000 |
|---|---|
| Payable in 2019/20 | 1,871 |
| Payable within two to five years | 7,497 |
| Payable within six to ten years | 12,789 |
| Payable within eleven to fifteen years | 13,847 |
| Payable within sixteen to twenty years | 13,773 |
| Payable within twenty one to twenty five years | 8,167 |
| | **57,944** |

## 13. 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 employers 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. 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 CIES meets the costs of injury awards and the capital value of ill-health benefits.

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 Net 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 retirement is reversed out of the General Fund in the MiRS.

The note below contains details of the Chief Constable'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 Chief Constable 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 Pensions Schemes | |
|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | £000 | £000 | £000 | £000 |
| **Comprehensive Income and Expenditure Statement** | | | | |
| **Cost of services** | | | | |
| Current service costs | 11,994 | 12,911 | 29,930 | 28,290 |
| Past service costs | 114 | 859 | - | 1,060 |
| **Financing and investment income and expenditure** | | | | |
| Net interest expense | 2,422 | 2,373 | 41,750 | 43,130 |
| **Total post employment benefit charges to the surplus or deficit on the provision of service** | **14,530** | **16,143** | **71,680** | **72,480** |
| **Other post employment benefit charged to the CIES** | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (6,763) | (2,587) | - | - |
| - Actuarial gains/losses arising from changes in demographic assumptions | - | - | - | (54,590) |
| - Actuarial gains/losses arising from changes in financial assumptions | 30,921 | (6,911) | 50,750 | 52,380 |
| - Other | 86 | (5) | (4,664) | (21,758) |
| | 24,244 | (9,503) | 46,086 | (23,968) |
| **Total post employment benefit charged to the CIES** | **38,774** | **6,640** | **117,766** | **48,512** |
| **Movement in Reserves Statement (MIRS):** | | | | |
| Reversal of net charges made to the CIES for post employment benefits in accordance with the Code | **(38,774)** | **(6,640)** | **(117,766)** | **(48,512)** |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | |
| Employers' contributions payable to scheme | 6,821 | 7,947 | - | - |
| Retirement benefits payable to pensioners | - | - | 40,206 | 37,712 |
| **Net charge to the General Fund** | **6,821** | **7,947** | **40,206** | **37,712** |

## Assets and liabilities in relation to retirement benefits

| | Local Government Pension Scheme | | Police Pension Schemes | |
|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Present value of liabilities | (336,415) | (288,256) | (1,719,880) | (1,642,320) |
| Fair value of plan assets | 217,331 | 201,125 | - | - |
| **Total Net liabilities** | **(119,084)** | **(87,131)** | **(1,719,880)** | **(1,642,320)** |

### Reconciliation of present value of the scheme liabilities

| | Local Government Pension Scheme | | Police Pension Schemes | |
|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | £000 | £000 | £000 | £000 |
| Opening balance at 1 April | 288,256 | 276,404 | 1,642,320 | 1,631,520 |
| Current service cost | 11,994 | 12,911 | 29,930 | 28,290 |
| Interest cost | 7,902 | 7,329 | 41,750 | 43,130 |
| Contributions by scheme participants | 2,012 | 2,096 | 7,870 | 8,200 |
| Remeasurement (gains) and Losses: | | | | |
| - Actuarial gains/losses arising from changes in demographic assumptions | - | - | - | (54,590) |
| - Actuarial gains/losses arising from changes in financial assumptions | 30,921 | (6,911) | 50,750 | 52,380 |
| - Other | 21 | (15) | (4,664) | (21,758) |
| Past service costs | 114 | 859 | - | 1,060 |
| Benefits paid | (4,805) | (4,417) | (48,076) | (45,912) |
| **Closing balance at 31 March** | **336,415** | **288,256** | **1,719,880** | **1,642,320** |

### Reconciliation of fair value of the scheme assets

| | Funded Assets Local Government Pension Scheme | | Unfunded Assets Police Pension Schemes | |
|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | £000 | £000 | £000 | £000 |
| Opening fair value of scheme assets at 1 April | 201,125 | 187,966 | - | - |
| Interest income | 5,480 | 4,956 | - | - |
| Remeasurement gain/(loss): | | | | |
| - the return on plan assets, excluding the amount included in the net interest expense | 6,763 | 2,587 | - | - |
| Other | (65) | (10) | - | - |
| The effect of changes in foreign exchange rates | | | | |
| Contributions from employer | 6,821 | 7,947 | 40,206 | 37,712 |
| Contributions from employees into the scheme | 2,012 | 2,096 | 7,870 | 8,200 |
| Benefits paid | (4,805) | (4,417) | (48,076) | (45,912) |
| **Closing fair value of scheme assets at 31 March** | **217,331** | **201,125** | **-** | **-** |

The total net pensions liabilities of £1,839m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,840m. 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 2019 £000** | **31 March 2018 £000** |
| Cash and cash equivalents | **5,426** | **7,495** |
| Equity instruments - industry type: | | |
| - Consumer | 13,472 | 13,224 |
| - Manufacturing | 11,129 | 11,278 |
| - Energy and utilities | 4,866 | 3,589 |
| - Financial institutions | 11,784 | 11,220 |
| - Health and care | 5,230 | 3,685 |
| - Information technology | 10,635 | 6,307 |
| - Other | 8 | - |
| Sub total equity | **57,123** | **49,303** |
| Bonds - by Sector | | |
| - Government | 2,491 | 3,027 |
| Sub total bonds | **2,491** | **3,027** |
| Property - by type | | |
| - UK property | 21,513 | 17,643 |
| - Overseas property | 4,153 | 2,892 |
| Sub total property | **25,666** | **20,536** |
| Private equity - all: | **13,417** | **11,111** |
| Other investment funds: | | |
| - Equities | 37,396 | 53,846 |
| - Bonds | 75,252 | 55,653 |
| Sub total other investment funds | **112,649** | **109,499** |
| Derivatives: | | |
| - Foreign exchange | (60) | 307 |
| - Other | 620 | (153) |
| Sub total derivatives | **560** | **154** |
| **Total Assets** | **217,331** | **201,125** |

**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 Pension Scheme | | Police Pension Schemes | |
|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners | | | | |
| Men | 22.1 | 22.1 | 22.7 | 22.6 |
| Women | 24.4 | 24.4 | 24.3 | 24.2 |
| Longevity at 65 for future pensioners | | | | |
| Men | 24.1 | 24.1 | 24.6 | 24.5 |
| Women | 26.4 | 26.4 | 26.2 | 26.1 |
| Rate of inflation (CPI - LGPS and CPI - PPS) | 2.50% | 2.40% | 2.35% | 2.30% |
| Rate of increases in salaries | 2.80% | 2.70% | 4.35% | 4.30% |
| Rate of increase in pensions | 2.50% | 2.40% | 2.35% | 2.30% |
| Rate for discounting scheme liabilities | 2.40% | 2.70% | 2.45% | 2.55% |
| Rate of CARE revaluation | n/a | n/a | 3.60% | 3.55% |

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 Pension Scheme | | Police Pension Schemes | |
|---|---|---|---|---|
| | Approximate Increase to Employers Liability | Approximate Monetary Amount | Approximate Increase to Employers Liability | Approximate Monetary Amount |
| | % | £000 | % | £000 |
| 0.5% decrease in real discount rate | 13.0% | 43,723 | 10.0% | 176,000 |
| 1 year increase in member life expectancy | 3-5% | 10,090-16,817 | 2.5% | 43,000 |
| 0.5% increase in the salary increase rate | 2.0% | 7,770 | 1.5% | 23,000 |
| 0.5% increase in the pension increase rate | 10.0% | 35,109 | 8.0% | 141,000 |

**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:

| | Future Service Contribution Rate % | Annual Deficit Recovery Contribution £000 |
|---|---|---|
| 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 2019/20 amount to £6.77m on the LGPS and £42.7m on the Police Schemes. The weighted average duration of the defined benefit obligation for the LGPS 21.8 years (21.8 years, 2017/18) and for the Police schemes is 22.0 years, 2018/19 (20.0 years,.2017/18).

There is currently a contingent liability in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015, for more information please refer to the contingent liability note (Note 16).

## 14. Creditors

The balance of creditors is made up of the following:

| | 2019 £000 | 2018 £000 Restated |
|---|---|---|
| **Short term creditors:** | | |
| Other payables | 762 | 750 |
| **Balance at 31 March** | **762** | **750** |

## 15. Collaborative Arrangements

Both Norfolk and Suffolk Constabularies are collaborating extensively across a range of service areas. At the point where collaborative opportunities are identified as able to deliver efficiencies, savings or improved service then the PCC is required to give their approval to collaborate. This is recognised by Norfolk and Suffolk alike.

The Collaboration Panel for Norfolk and Suffolk, as described in the Scheme of Governance and Consent provides an opportunity for the counties' respective PCCs to consider issues of mutual interest and discharge the governance responsibilities of the PCCs 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 |
|---|---|---|---|---|---|
| **2018/19** | | | | | |
| Suffolk PCC | 16,604 | 9,733 | 14,544 | 1,431 | 42,312 |
| Norfolk PCC | 22,010 | 12,902 | 19,279 | 1,897 | 56,088 |
| **Total shared running costs** | **38,614** | **22,634** | **33,823** | **3,327** | **98,399** |
| **2017/18** | | | | | |
| Suffolk PCC | 16,372 | 9,924 | 15,170 | 1,263 | 42,729 |
| Norfolk PCC | 21,615 | 13,101 | 20,028 | 1,667 | 56,411 |
| **Total shared running costs** | **37,987** | **23,026** | **35,198** | **2,930** | **99,140** |

Collaboration within the Region has been pursued for a number of years. Since the introduction of PCCs, the six PCCs from the region have met quarterly as a group with their Chief Constables and Chief Executives. All collaborations that have been entered into have a collaboration agreement which specifies the formalities of the collaboration arrangements in relation to specific collaborations.

Since October 2015 the six police areas in the Region have been joined by Kent in the 7Force Strategic Collaboration Programme. This has been formalised in a collaboration agreement entered into between the PCCs and Chief Constables of the seven police areas. It was reviewed in a Second Collaboration Agreement in early 2017 to progress the Programme until at least the end of March 2019 and has now been extended for a further two year period by the Third Collaboration Agreement.

The net expenditure incurred by each force is as follows:

| | Total 2018/19 £000 | Total 2017/18 £000 |
|---|---|---|
| Operating costs | 20,469 | 17,908 |
| Specific Home Office grant | (4,659) | (2,997) |
| Other income | (300) | - |
| **Total deficit/ (surplus) for the year** | **15,510** | **14,911** |
| Contributions from forces: | | |
| Bedfordshire | (1,843) | (1,692) |
| Cambridgeshire | (2,376) | (2,152) |
| Essex | (1,434) | (1,289) |
| Hertfordshire | (3,351) | (3,049) |
| Kent | (1,735) | (1,563) |
| Norfolk | (2,696) | (2,478) |
| Suffolk | (2,047) | (1,877) |
| **Deficit/ (surplus) for the year** | **27** | **810** |
| **Norfolk underspend held in Balance Sheet** | **71** | **145** |

West Yorkshire Police is the lead force for the National Police Air Service (NPAS). Police staff engaged in provision of the service were employed by the Commissioner and police officers were seconded to West Yorkshire Police. Expenditure relating to NPAS incurred by forces will be charged to West Yorkshire and they will charge forces for the service. The Home Office provides a capital grant to cover the capital investment required.

The service is governed by a section 22A collaboration agreement and is under the control of a Strategic Board made up of Commissioners and Chief Constables from each region. The Board determines the budget and the charging policy and monitors performance.

During the year £262k was payable to West Yorkshire PCC in respect of the NPAS service provided

## 16. 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. At 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 other officers in analogous roles. 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 handlers and other similar roles. Provision has been made in the Statement of Accounts for known claims. However, as with other forces, Norfolk Constabulary are likely to receive further claims from officers working in non-handler and undercover roles. The potential number of claims or an estimate of their value has yet to be made. Many claims cover the period when the units were under joint collaborative control with Suffolk Constabulary, therefore where applicable any settlements will be shared in the appropriate cost sharing ratio.

Overtime claims relating to ERSOU officers are currently being assessed, at this point in time it is unclear whether Norfolk Constabulary will be liable to a proportion of the claims associated with ERSOU officers employed by other forces, a regional agreement has yet to be confirmed.

**Pension Regulations – Unlawful Discrimination**

The Chief Constable of Norfolk currently has 60 Employment Tribunal claims lodged against him in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Similar claims have been lodged against all forces in the UK.

The police pension claims have been stayed pending the outcome of similar litigation taken by the Judiciary and Firefighters regarding changes to their pension schemes.

In regard to the latter litigation, in December 2018 the Court of Appeal ruled that the 'transitional protection' offered to some members, as part of the reform to public sector pensions, amounted to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees affected by those changes. Given the similarity between the cases, if the appeal is declined or fails, it appears likely that the police claims will also succeed. It is predicted that the Home Office will need to address the issue by a change to the existing Regulations and that this will have a financial impact on Forces. The persons who are affected and, depending on the court, will need to be compensated, will be those officers who transferred into the new scheme. The Government Actuary Department, using specific assumptions, have estimated the potential increase in scheme liabilities, as a result of the judgment, to be approximately 5.4% of national pension scheme liabilities as at March 2018. This estimate is based on one potential remedy and depending on the outcome of the appeal. The remedy calculation and its applicability to the Police Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from the firefighters and Judiciary judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from the above judgment is determined through The Police Pension Fund Regulations 2007. These require a police body to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the PCC in the form of a central government top-up grant.

**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

| 2017/18 £000 | 2017/18 £000 | | 2018/19 £000 | 2018/19 £000 |
|---|---|---|---|---|
| | | **Contributions receivable** | | |
| | | Employer | | |
| | 11,328 | Normal | 11,638 | |
| | 852 | Early retirements | 271 | |
| 12,180 | | | | 11,909 |
| | | Members | | |
| | 7,212 | Normal | 7,373 | |
| 7,212 | | | | 7,373 |
| | | **Transfers in** | | |
| | 781 | Individual transfers in from other schemes | 623 | |
| 781 | | | | 623 |
| | | **Benefits payable** | | |
| | (34,702) | Pensions | (36,728) | |
| | (9,290) | Commutations and lump sum retirement benefits | (9,767) | |
| | (77) | Lump sum death benefits | (55) | |
| (44,069) | | | | (46,550) |
| | | **Payments to and on account of leavers** | | |
| | (13) | Refunds on contributions | (29) | |
| | - | Individual transfers out to other schemes | (53) | |
| | (123) | Other | - | |
| (136) | | | | (82) |
| **(24,031)** | | **Net amount payable for the year before contribution from the Police General Fund** | | **(26,727)** |
| **22,489** | | **Contribution from the Police General Fund** | | **25,142** |
| **1,542** | | **Additional funding payable by the local policing body** | | **1,585** |
| **-** | | **Net balance receivable for the year** | | **-** |

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

| | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| **Net current assets** | | |
| Net balance receivable from the Police General Fund | - | - |
| | - | - |

# 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 credit 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.