



SUFFOLK  
**CONSTABULARY**

# **THE CHIEF CONSTABLE OF SUFFOLK CONSTABULARY**

## **STATEMENT OF ACCOUNTS**

**31 March 2015**

***Making Suffolk a safer place to live, work, travel and invest***

[www.suffolk.police.uk](http://www.suffolk.police.uk)

**Statement of Accounts  
for the year ended 31 March 2015**

<b>Contents</b>	<b>page</b>
<b>Auditor's Report to the Chief Constable of Suffolk Constabulary .....</b>	<b>1</b>
<b>Statement of Responsibilities for the Statement of Accounts .....</b>	<b>3</b>
<b>Explanatory Foreword .....</b>	<b>4</b>
<b>Financial Statements:</b>	
<b>Movement in Reserves Statement (MIRS).....</b>	<b>8</b>
<b>Comprehensive Income and Expenditure Statement (CIES) .....</b>	<b>10</b>
<b>Balance Sheet .....</b>	<b>11</b>
<b>Cash Flow Statement .....</b>	<b>12</b>
<b>Notes to the Financial Statements .....</b>	<b>13</b>
<b>Police Pension Fund Accounting Statements .....</b>	<b>37</b>
<b>Glossary of Terms .....</b>	<b>38</b>

## **INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF SUFFOLK CONSTABULARY**

### **Opinion on the Chief Constable for Suffolk Constabulary financial statements**

We have audited the financial statements of the Chief Constable of Suffolk Constabulary for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Chief Constable of Suffolk Constabulary Movement in Reserves Statement, the Chief Constable of Suffolk Constabulary Comprehensive Income and Expenditure Statement, the Chief Constable of Suffolk Constabulary Balance Sheet, the Chief Constable of Suffolk Constabulary Cash Flow Statement, the related notes 1 to 21 and the Chief Constable for Suffolk Constabulary Pension Fund Account Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 3, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Suffolk Constabulary circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Suffolk Constabulary as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Chief Constable to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Chief Constable of Suffolk Constabulary put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Certificate**

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

Neil A Harris

**Audit Director**

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

Luton

September 2015

# Statement of Responsibilities for the Statement of Accounts

## The Chief Constable of Suffolk 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 (CFO CC).
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

I approve the following Statement of Accounts:



**G Wilson**  
Temporary Chief Constable of Suffolk Constabulary

25 September 2015

## Chief Finance Officer of the Chief Constable Responsibilities

The CFO CC is responsible for preparing the Statement of Accounts for the Chief Constable of Suffolk 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 CC 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 CC has also:

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

## Certificate by the Chief Finance Officer of the Chief Constable of Suffolk 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 Authority at 31 March 2015, and its income and expenditure for the year to that date.



**C Bland CPFA**

25 September 2015

## Chair of Audit Committee

These accounts were reviewed by the Audit Committee on behalf of the Chief Constable on 25 September 2015

D Rowe



25 September 2015

# Explanatory Foreword

## Introduction

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

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

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

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

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

The Revenue Budget and Capital Programme for 2014-2015 were approved by the PCC in February 2014. Tim Passmore was elected as the Suffolk Police and Crime Commissioner (PCC) and was responsible for managing the Revenue Budget and Capital Programme for 2014-2015. The responsibilities of the PCC, determined by the Police Reform and Social Responsibility Act 2011, include:

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

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

All the financial transactions incurred during 2014-2015 for the policing of Suffolk have been recognised and recorded within the PCC Group Statement of Accounts, which sets out the overall financial position for the year ending 31 March 2015.

The foreword provides an overview of the new accounting arrangements and outlines the financial performance during 2014-2015. Detailed analysis of performance is provided within the Group accounts which include the PCC and the Constabulary.

The Statement of Accounts for the CC for the 2014-2015 financial year is set out on the following pages. Information on the accounts is presented as simply and clearly as possible. However, due to the technical nature of the accounts, an explanation of the use of accounting terms is provided at the end of this document.

## **Impact 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 will flow to, or from the entity. At the outset, the PCC took responsibility for the finances of the whole Group and controls the assets, liabilities and reserves, which were transferred from the previous Police Authority. With the exception of the liabilities for employment and post-employment benefits this position has not changed and would suggest that these balances should be shown on the PCC's Balance Sheet.

The Scheme of Governance and Consent sets out the roles and responsibilities of the PCC and Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. In accordance with 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 Group.

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

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

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

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

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

There were no new CIPFA code 2014-2015 requirements that materially affected the Statement of Accounts.

## The Main Accounting Statements

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

The accounts also reflect the following frameworks and regulations:

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

The Accounts of the Chief Constable of Suffolk Constabulary for 2014-2015, which will be the basis for the Audit Opinion, are set out as follows:

- **Explanatory Forward**  
This provides an overview of the accounting arrangements 2014-2015.
- **Audit Opinion**  
The statutory opinion for the Statement of Accounts.
- **Statement of Responsibilities**  
This includes the financial responsibilities of the CC and the Chief Finance Officer (CFO) to the CC.

The Accounting Statements consist of:

- **Movement in Reserves Statement**  
This shows the movement in the year on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus (or deficit) on the provision of services' line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement.
- **The Comprehensive Income and Expenditure Statement**  
This statement recognises the financial resources belonging to the PCC consumed at the request of the CC in exercising day to day direction and control of the police force for the financial year, as opposed to the overall cost of policing as shown in the PCC and Group Accounts. The CC's Comprehensive Income and Expenditure Statement has been prepared using the principles set out in the Code of the Cost of Services level and using headings from CIPFA Service Reporting Code of Practice (SerCOP), which describes the areas of policing undertaken during 2014-2015.
- **The Balance Sheet**  
This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the CC.
- **The Cash Flow Statement**  
This shows the changes in cash and cash equivalents during the reporting period. The statement shows how the PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, during 2014-2015, all cash was held by the PCC for Suffolk so the cash flow statement for the CC shows the net deficit on the provision of services as non-cash movements.
- **Notes to the Accounts (including Statement of Accounting Policies)**  
The notes that support the core financial statements and the policies adopted in compiling the Accounts. The accounting policies explain the main principles used in producing the figures in the accounts. Many of the accounting policies are specified by the Code and this ensures that the accounts across the country are prepared on a consistent and comparable basis.

## Looking Forward

The economic position for the public sector, including the police, remains a challenging one, with austerity measures forecast to continue to reduce government funding to the sector. The Comprehensive Spending Review (CSR) issued in December 2010 (covering the period 2011-12 to 2014-15) levied significant grant reductions on the police (20% in real terms), which was then further compounded in June 2013, by the Spending Review 2013 (SR2013). This review established the broad parameters for 2015-2016 and was then clarified in the settlement from the Home Office as part of the 2015-2016 budget. As a result, there was a reduction of 5.1% in Police grant funding in 2015-2016.

Given the above information and other financial assumptions, for example on inflation and precept setting, the Medium Term Financial Plan (MTFP) covering the five financial years 2015-2016 to 2019-2020 was approved by the PCC. It shows a gross recurring deficit of £20.5m by 2019-2020, which reduces to £10.4m following inclusion of the approved savings plans of £10.1m over the MTFP period.

The Constabulary continues to work with the PCC to develop sustainable plans and models of operational policing that will contribute to bridge the remaining budget gap. This has resulted in the consideration and development of plans which will generate further recurring savings of £5.0m over the MTFP period, thus reducing the remaining savings to be achieved from £10.4m to £5.4m.

Opportunities to deliver additional savings through continued work with collaborative partners including Norfolk Constabulary and other forces in the eastern region, as well as local partners such as other blue light services and local authorities in Suffolk, will continue.

Following the recent General Election, the majority Conservative Government has indicated that it will look to accelerate the austerity measures in the early years of this parliament, in order to run a budget surplus by 2018-2019. This will result in further reductions in government grant funding to the police over and above what has already been planned for. During this period it is also likely that there will be a review of the approach taken to future freeze grants, referendum limits, and the national police funding formula.

The MTFP approved in February 2015 will be updated periodically to reflect the financial implications arising from, for example, the emergency budget on 8 July 2015 and the Spending Review in autumn 2015, and will form the basis for discussion on the steps necessary to maintain financial stability.

Chris Bland CPFA

CC CFO

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

Year Ended 31 March 2014	Note	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2013</b>		-	-	-	-	-	(945,369)	(945,369)
Surplus or (deficit) on provision of services (accounting basis)	18	(43,822)	-	-	-	(43,822)	-	(43,822)
Other comprehensive income and expenditure		-	-	-	-	-	(69,393)	(69,393)
<b>Total comprehensive income and expenditure</b>		<b>(43,822)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,822)</b>	<b>(69,393)</b>	<b>(113,215)</b>
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	18	56,209	-	-	-	56,209	(56,209)	-
Movement on the Compensated Absences Account	19	(97)	-	-	-	(97)	97	-
Contribution to the Police Pension Fund	18	(12,290)	-	-	-	(12,290)	12,290	-
<b>Adjustments between accounting basis and funding basis under regulations</b>		<b>43,822</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,822</b>	<b>(43,822)</b>	<b>-</b>
<b>Net increase / decrease before transfers to Earmarked Reserves</b>		<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>(113,216)</b>	<b>(113,215)</b>
Transfers to / from earmarked reserves		-	-	-	-	-	-	-
<b>Increase / decrease in year</b>		<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>(113,216)</b>	<b>(113,215)</b>
<b>Balance at 31 March 2014</b>		<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>(1,058,585)</b>	<b>(1,058,584)</b>

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

Year Ended 31 March 2015		Note	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2014</b>			0	-	-	0	(1,058,585)	(1,058,584)	
Surplus or (deficit) on provision of services (accounting basis)			(46,300)	-	-	(46,300)	-	(46,300)	
Other comprehensive income and expenditure		18	-	-	-	-	(169,208)	(169,208)	
<b>Total comprehensive income and expenditure</b>			<b>(46,300)</b>	<b>-</b>	<b>-</b>	<b>(46,300)</b>	<b>(169,208)</b>	<b>(215,508)</b>	
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		18	60,604	-	-	60,604	(50,604)	-	
Movement on the Compensated Absences Account		19	(111)	-	-	(111)	111	-	
Contribution to the Police Pension Fund		18	(14,192)	-	-	(14,192)	14,192	-	
<b>Adjustments between accounting basis and funding basis under regulations</b>			<b>46,301</b>	<b>-</b>	<b>-</b>	<b>46,301</b>	<b>(46,301)</b>	<b>-</b>	
Net increase / decrease before transfers to Earmarked Reserves			0	-	-	0	(215,508)	(215,508)	
Transfers to / from earmarked reserves			-	-	-	-	-	-	
<b>Increase / decrease in year</b>			<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>(215,508)</b>	<b>(215,508)</b>	
<b>Balance at 31 March 2015</b>			<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>(1,274,093)</b>	<b>(1,274,092)</b>	

**Comprehensive Income and Expenditure Statement  
for the Chief Constable of Suffolk Constabulary  
for the year ended 31 March 2015**

Gross Expenditure 2013/14 £000	Income 2013/14 £000	Net Expenditure 2013/14 £000		Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000
			<b>Division of Service:</b>			
56,632	(1,312)	55,320	Local Policing	57,722	(1,305)	56,417
11,165	(102)	11,063	Dealing with the Public	10,361	(130)	10,231
13,957	(1,881)	12,076	Criminal Justice Arrangements	14,049	(2,134)	11,914
5,109	(356)	4,753	Road Policing	5,280	(567)	4,713
6,229	(624)	5,605	Specialist Operations	6,145	(845)	5,300
6,688	(619)	6,069	Intelligence	6,665	(627)	6,039
26,536	(1,076)	25,460	Investigations	28,328	(951)	27,377
3,524	(27)	3,497	Investigative Support	3,416	(97)	3,319
2,683	(1,380)	1,303	National Policing	2,852	(1,632)	1,220
109	-	109	Non-distributed costs	6	-	6
-	-	-	Corporate and democratic core	-	-	-
<b>132,632</b>	<b>(7,378)</b>	<b>125,254</b>	<b>Net Cost of Police Services before group funding</b>	<b>134,824</b>	<b>(8,287)</b>	<b>126,536</b>
-	<b>(123,922)</b>	<b>(123,922)</b>	<b>Intra-group funding</b>		<b>(125,690)</b>	<b>(125,690)</b>
<b>132,632</b>	<b>(131,300)</b>	<b>1,332</b>		<b>134,824</b>	<b>(133,977)</b>	<b>846</b>
			<b>Other Operating Expenditure:</b>			
-	-	-	Loss/(profit) on disposal of fixed assets	-	-	-
			<b>Financing and Investment Income and Expenditure:</b>			
-	-	-	Interest payable and similar charges	-	-	-
42,490	-	42,490	Pensions interest cost and expected return on pensions assets	18 45,454	-	45,454
-	-	-	Interest and investment income	-	-	-
<b>42,490</b>	<b>-</b>	<b>42,490</b>		<b>45,454</b>	<b>-</b>	<b>45,454</b>
			<b>Taxation and Non-specific Grant Income:</b>			
-	-	-	Home Office contribution to police pensions	-	-	-
-	-	-	Revenue support grant	-	-	-
-	-	-	General grants	-	-	-
-	-	-	Capital grants and contributions	-	-	-
-	-	-	Non-domestic rate redistribution	-	-	-
-	-	-	Precepts	-	-	-
		<b>43,822</b>	<b>Deficit/(Surplus) on the Provision of Services</b>			<b>46,300</b>
			<b>Other Comprehensive Income and Expenditure:</b>			
		-	(Surplus) / deficit on the revaluation of assets			-
		69,393	Remeasurements of the net defined benefit liability (asset)	18		169,208
		<b>69,393</b>				<b>169,208</b>
		<b>113,215</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>215,508</b>

## Balance Sheet for the Chief Constable of Suffolk Constabulary as at 31 March 2015

31 March 2014 £000	Notes	31 March 2015 £000
-	Non-Current Assets	-
-	Long Term Debtors	-
<u>-</u>	<b>Total Long term Assets</b>	<u>-</u>
-	Short term debtors and prepayments	-
<u>-</u>	<b>Current Assets</b>	<u>-</u>
<u>-</u>	<b>TOTAL ASSETS</b>	<u>-</u>
1,718	Short-term creditors and accruals	1,608
<u>1,718</u>	<b>Current Liabilities</b>	<u>1,608</u>
1,056,867	Liability Related to Defined Benefits	1,272,486
<u>1,056,867</u>	<b>Long Term Liabilities</b>	<u>1,272,486</u>
<u>1,058,585</u>	<b>TOTAL LIABILITIES</b>	<u>1,274,093</u>
<u>(1,058,585)</u>	<b>NET ASSETS / (LIABILITIES)</b>	<u>(1,274,093)</u>
-	Usable reserves	-
(1,058,585)	Unusable reserves	(1,274,093)
<u>(1,058,585)</u>	<b>TOTAL RESERVES</b>	<u>(1,274,093)</u>

The unaudited accounts were issued on 30 June 2015 and the audited accounts, as amended following audit, were authorised for issue on 25 September 2015:

  
**C Bland CPFA**

25 September 2015

## Cash-flow Statement for the Chief Constable of Suffolk Constabulary

for the year ended 31 March 2015

2013/14 £000	Note	2014/15 £000
(43,822)	Page 10	(46,300)
<b>Net Surplus/(deficit) on the provision of services</b>		
43,822		46,300
<b>Adjustment for non cash or cash equivalent movements</b>		
-		-
<b>Adjustment for items included in net deficit on the provision of services that are investing or financing activities:</b>		
-		-
<b>Capital grants and contributions</b>		
-		-
<b>Net cash flows from operating activities</b>		
-		-
<b>Investing activities</b>		
-		-
<b>Financing activities</b>		
-		-
<b>Net increase or (decrease) in cash and cash equivalents</b>		
-		-
<b>Cash and cash equivalents at the beginning of the reporting period</b>		
-		-
<b>Cash and cash equivalents at the end of the reporting period</b>		
-		-

# Notes to the Financial Statements

## for the Chief Constable of Suffolk Constabulary

### 1. Accounting Policies

#### (a) General principles

The Statement of Accounts summarises the Chief Constable's (CC) transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. The CC is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (COP) and the 2014/15 Service Reporting Code of Practice for Local Authorities (SerCOP), 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.

#### (b) Cost recognition and Intra-Group adjustment

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

#### (c) 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 CC to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

#### (d) Accruals of income and expenditure

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

#### (e) Prior Period Adjustments, changes in accounting policies and estimates and errors

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

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

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

## **(f) 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. The cost of annual leave entitlement, time off in lieu and flexi time earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave or similar balances into the following period.

### **Post employment benefits**

Officers and employees are members of three defined benefit schemes: The Local Government Pensions Scheme (LGPS), administered by Suffolk County Council; The Police Pension Scheme and the New Police Pension Scheme. Both the police schemes are unfunded.

The liabilities attributable to the CC of all three schemes are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits (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 are discounted to their value at current prices, using a discount rate of 3.2%, this is based on the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The rates used are based on the gross redemption yields over 15 years from the scheme valuation date.

The assets of the LGPS attributable to the CC 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.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is allocated in the Comprehensive Income and Expenditure Statement (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 disclosed on a straight-line basis over the period in which the increase in benefit vests.
- 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.
- Expected return on assets – the annual investment return on the fund assets attributable to the CC, based on an average of the expected long-term return. It is credited to the Financing and Investment Income and Expenditure line in the CIES.
- Gains/losses on settlements and curtailments – the results of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees. They are debited or credited to the Surplus/Deficit on the Provision of Services in the CIES as part of Non Distributed Costs. Losses arising on a settlement or curtailment are measured at the date on which the employer becomes committed to the transaction. In respect of gains arising, the date is when all parties are committed.
- Actuarial gains and losses – changes in the net pensions liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. They are debited to the pension reserve.
- Contributions paid to the pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that in the MIRS there are appropriations to and from

the Pensions Reserve to move 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 earned by employees.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the CC to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the CC is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

#### **(g) Events after the reporting period**

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

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events. 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.

#### **(h) Foreign currency**

No provision is made for the impact of variations in exchange rates on liabilities stated in the balance sheet. Any transactions which are denominated in foreign currency are translated into sterling at the spot rate at the time that the payment is made.

#### **(i) Government grants and contributions**

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

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

Amounts recognised as due to the CC 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 as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the CIES.

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

**(j) Jointly controlled operations and jointly controlled assets**

Jointly controlled operations are activities undertaken by the Chief Constable in conjunction with other parties that involve the use of the assets and the resources of the parties rather than the establishment of a separate entity. The CC recognises the expenses that it incurs and debits and credits the CIES with this expenditure and the share of income it earns from the activity or operation.

**(k) Overheads and support services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013-2014 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

**(l) Private Finance Initiative (PFI) and similar contracts**

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

**(m) Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the CC. These reserves are explained in the relevant policies. The CC cannot hold usable reserves.

**(n) Value Added Tax**

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

**(o) Contingent Liabilities**

A contingent liability arises where an event has taken place that gives rise to 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 CC. 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.

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

In 2015-2016 adoption of the amendments to the following may be required to be reported;

- IFRS 13 Fair Value Measurement

- IFRIC 21 Levies
- Annual Improvements to IFRIC's (2011 to 2013 Cycle). The issues included are:
  - IFRS 1 Meaning of effective IFRS's
  - IFRS 3 Scope exceptions for Joint Ventures
  - IFRS 13 Scope of paragraph 52 (portfolio exceptions)
  - IAS 40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. It is not expected that the adoption of these standards will have a material effect on the financial statements.

### 3. Critical Judgements in Applying Accounting Policies

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

- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 2015-2016 in regard of what the PCC will receive from the government and limitations around the precept. The PCC and Chief Constable are working together to mitigate the impact of the funding gap emerging over the period of the Medium Term Financial Plan, the impact of which will be realised in the budget set by the PCC.
- The allocation of transactions and balances between the PCC and the Chief Constable, that has been set out in the foreword to these accounts, is a judgement as a result of greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance.
- Costs of pension arrangements require estimates assessed by independent qualified actuary's regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.
- In respect of the LGPS police staff pension costs, a separate valuation exercise has been carried out in 2014-15 to provide the accounting entries.
- Suffolk and Norfolk have a significant number of assets including those under Private Finance Initiatives (PFI) arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI), and the capital and financing costs of the provision of those assets in the PCC accounts. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the CC have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the CC accounts including the service charges element of the PFI.

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

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

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

## 5. Service Expenditure Analysis

The principal functions included within the Net Cost of Service line in the Group's financial statements relate to the day to day costs of administering and supporting the PCC's office as well as working directly with local communities and the public. The Net Cost of Service line also includes the financial resources of the Group under the direction and control of the Chief Constable through operational policing, and is included in the CIES as follows:

### Local policing

Neighbourhood policing  
Incident (response) management  
Specialist Community liaison  
Local command team and support overheads

### Dealing with the public

Dealing with the public command team and support overheads  
Local call centres/front desk  
Central communications unit  
Contact management units

### Road policing

Roads Policing command team and support overheads  
Traffic units  
Traffic wardens/PCSOs - Traffic  
Vehicle recovery  
Casualty reduction partnership

### Specialist operations

Central operations command team and support overheads  
Air operations  
Dogs section  
Level 1 advanced public order  
Firearms unit  
Civil contingencies

### Intelligence

Central intelligence command team and support overheads  
Intelligence/threat assessments  
Intelligence gathering

### Criminal justice arrangements

Criminal Justice Arrangements command team and support overheads  
Custody  
Criminal justice  
Police National Computer (PNC)  
Criminal Records Bureau (CRB)  
Coroner assistance  
Fixed penalty scheme (central ticket office)  
Property officer/stores

### Investigations

Crime support command team and support overheads  
Major investigation unit  
Economic crime (including regional asset recovery team)  
Investigations  
Serious and organised crime unit  
Public protection

### Investigative support

Investigative support command team and support overheads  
Scenes of crime officers  
External forensic costs  
Fingerprint/Internal forensic costs  
Photographic image recovery  
Other forensic services

### National policing

Secondments (out of force)  
Counter-terrorism/Special Branch  
ACPO projects/initiatives

Please note that business support function costs are absorbed into the above operational functions.

Corporate and Democratic Core costs relate to the democratic representation, management, administration and governance functions of the PCC's office, it also includes officer time spent on advising the PCC and public consultation.

Non Distributed costs are costs that cannot be allocated to current operational functions. Examples are: impairments of non-operational property such as police houses and past service pension costs.

## **6. Amounts Reported for Resource Allocation Decisions**

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

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

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

	County Policing Committed	Protective Services	Custody & Criminal Justice	Human Resources & Training	Finance & Resources	Other Services	Total Chief Constable	Not reported to management	Amount not included in CIES	Total CC
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Reported to Chief Officers in 2014/15</b>										
Fees charges and other income	(243)	(1,054)	(1,448)	(39)	(433)	(1,468)	(4,685)	-	-	(4,685)
Government grants	-	(1,008)	-	-	-	-	(1,008)	-	-	(1,008)
<b>Total Income</b>	<b>(243)</b>	<b>(2,062)</b>	<b>(1,448)</b>	<b>(39)</b>	<b>(433)</b>	<b>(1,468)</b>	<b>(5,693)</b>	<b>-</b>	<b>-</b>	<b>(5,693)</b>
Employee expenses	52,815	21,123	9,444	3,389	4,589	6,498	97,858	32,111	(17,049)	112,920
Other service expenses	2,768	2,616	2,497	805	9,525	1,122	19,334	611	(636)	19,310
Depreciation and impairments	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenditure</b>	<b>55,583</b>	<b>23,739</b>	<b>11,941</b>	<b>4,194</b>	<b>14,114</b>	<b>7,620</b>	<b>117,192</b>	<b>32,723</b>	<b>(17,685)</b>	<b>132,229</b>
<b>Net Operating Expenditure</b>	<b>55,340</b>	<b>21,677</b>	<b>10,493</b>	<b>4,155</b>	<b>13,681</b>	<b>6,153</b>	<b>111,499</b>	<b>32,723</b>	<b>(17,685)</b>	<b>126,536</b>
<b>Reported to Chief Officers in 2013/14</b>										
Fees charges and other income	(337)	(853)	(1,160)	(24)	(554)	(1,251)	(4,179)	-	-	(4,179)
Government grants	-	(898)	-	-	-	-	(898)	-	-	(898)
<b>Total Income</b>	<b>(337)</b>	<b>(1,751)</b>	<b>(1,160)</b>	<b>(24)</b>	<b>(554)</b>	<b>(1,251)</b>	<b>(5,077)</b>	<b>-</b>	<b>-</b>	<b>(5,077)</b>
Employee expenses	51,629	21,070	9,546	3,495	6,430	5,868	98,038	30,448	(16,558)	111,928
Other service expenses	2,139	2,314	2,021	631	10,196	1,212	18,513	447	(692)	18,268
Depreciation and impairments	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenditure</b>	<b>53,768</b>	<b>23,384</b>	<b>11,567</b>	<b>4,126</b>	<b>16,626</b>	<b>7,080</b>	<b>116,551</b>	<b>30,895</b>	<b>(17,250)</b>	<b>130,196</b>
<b>Net Operating Expenditure</b>	<b>53,431</b>	<b>21,633</b>	<b>10,407</b>	<b>4,102</b>	<b>16,072</b>	<b>5,829</b>	<b>111,474</b>	<b>30,895</b>	<b>(17,250)</b>	<b>125,119</b>

## **7. 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 used, 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 CC 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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £49.2m.

### 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.

## **8. 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 25 September 2015.

### **Milne v GAD – Adjusting**

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which meant that for all Police Pension Scheme 1987 cases where pension entitlements were drawn between 1 December 2001 and 1 December 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the majority of payments by April 2016. The Home Office has agreed that they will provide full reimbursement of the payments made. There has therefore been no impact on the financial statements for 2014/15.

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

## **9. Usable Reserves**

Movements in the CC's usable reserves are detailed in the Movement in Reserves Statement on pages 8 and 9.

## **10. Unusable Reserves**

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

Year Ended 31 March 2015	Pension Reserves £000	Revaluation Reserve £000	Capital Adj. Account £000	Collection Fund Adj. Account £000	Deferred Capital Receipts £000	Compensated Absences Account £000	Total Unavailable Reserves £000
<b>Balance at 1 April 2014</b>	<b>(1,056,866)</b>	-	-	-	-	<b>(1,718)</b>	<b>(1,058,585)</b>
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(169,208)	-	-	-	-	-	(169,208)
<b>Total comprehensive income and expenditure</b>	<b>(169,208)</b>	-	-	-	-	-	<b>(169,208)</b>
Amortisation of intangible assets	-	-	-	-	-	-	-
Depreciation on property, plant and equipment	-	-	-	-	-	-	-
Revaluation losses on property, plant and equipment	-	-	-	-	-	-	-
Capital grants and contributions credited to the CIES	-	-	-	-	-	-	-
Application of capital grants from unapplied account	-	-	-	-	-	-	-
Net gain or loss on the sale of non-current assets	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(60,604)	-	-	-	-	-	(60,604)
Movement on the collection fund adjustment account	-	-	-	-	-	-	-
Capital expenditure charged to the General Fund Balance	-	-	-	-	-	-	-
Statutory provision for the repayment of debt	-	-	-	-	-	-	-
Contribution to the Police Pension Fund	14,192	-	-	-	-	-	14,192
Movement on the Compensated Absences Account	-	-	-	-	-	111	111
Use of capital receipts to fund asset purchases	-	-	-	-	-	-	-
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(46,412)</b>	-	-	-	-	<b>111</b>	<b>(46,301)</b>
<b>Net increase / decrease before transfers to Earmarked Reserves</b>	<b>(215,619)</b>	-	-	-	-	<b>111</b>	<b>(215,508)</b>
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
<b>Increase / decrease in year</b>	<b>(215,619)</b>	-	-	-	-	<b>111</b>	<b>(215,508)</b>
<b>Balance at 31 March 2015</b>	<b>(1,272,486)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,607)</b>	<b>(1,274,093)</b>

Year Ended 31 March 2014	Pension Reserves £000	Revaluation Reserve £000	Capital Adj Account £000	Capital Collection Fund Adj Account £000	Deferred Capital Receipts £000	Compensated Absences £000	Total Unusable Reserves £000
<b>Balance at 1 April 2013</b>	<b>(943,554)</b>	-	-	-	-	<b>(1,815)</b>	<b>(945,369)</b>
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(69,393)	0	0	0	0	0	(69,393)
<b>Total comprehensive income and expenditure</b>	<b>(69,393)</b>	-	-	-	-	-	<b>(69,393)</b>
Amortisation of intangible assets	-	-	-	-	-	-	-
Depreciation on property, plant and equipment	-	-	-	-	-	-	-
Revaluation losses on property, plant and equipment	-	-	-	-	-	-	-
Capital grants and contributions credited to the CIES	-	-	-	-	-	-	-
Application of capital grants from unapplied account	-	-	-	-	-	-	-
Net gain or loss on the sale of non-current assets	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(56,209)	-	-	-	-	-	(56,209)
Movement on the collection fund adjustment account	-	-	-	-	-	-	-
Capital expenditure charged to the General Fund Balance	-	-	-	-	-	-	-
Statutory provision for the repayment of debt	-	-	-	-	-	-	-
Contribution to the Police Pension Fund	12,290	-	-	-	-	-	12,290
Movement on the Compensated Absences Account	-	-	-	-	-	97	97
Use of capital receipts to fund asset purchases	-	-	-	-	-	-	-
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(43,919)</b>	-	-	-	-	<b>97</b>	<b>(43,822)</b>
Net increase / decrease before transfers to Earmarked Reserves	(113,313)	-	-	-	-	97	(113,216)
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
<b>Increase / decrease in year</b>	<b>(113,313)</b>	-	-	-	-	<b>97</b>	<b>(113,216)</b>
<b>Balance at 31 March 2014</b>	<b>(1,056,866)</b>	0	0	0	-	<b>(1,718)</b>	<b>(1,058,585)</b>



"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."

In addition to the above an amendment to the Accounts and Audit Regulations in 2009 requires 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 PCC. The officers listed below are included in the above banding disclosure note.

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

	Salaries Fees and Allowances £000	Bonuses £000	Employers Pension Contributions £000	Benefits in Kind £000	Expenses £000	Total £000
<b>2014/15</b>						
<b>Position held</b>						
Chief Constable	143	-	33	5	28	209
Temporary Chief Constable (appointed - 24 Feb 2015)	11	-	3	-	-	14
Deputy Chief Constable (Retired - 26 Jul 2014)	47	-	-	1	-	48
Deputy Chief Constable (appointed - 19 Jul 2014 to 24 Feb 2015 )	76	-	16	2	-	94
Assistant Chief Constable (Vacant)	-	-	-	-	-	-
Temporary Assistant Chief Constable	105	-	19	3	-	127
Assistant Chief Officer (Retired - 31 Jan 2015)	125	-	20	4	-	149
Assistant Chief Officer - Resources (appointed - 19 Jan 2015 to 31 Mar 2015)	19	-	-	-	-	19
<b>2013/14</b>						
<b>Position held</b>						
Chief Constable	141	-	32	50	-	223
Deputy Chief Constable	126	-	7	5	-	138
Assistant Chief Constable (retired - 2 Jan 2014)	70	-	15	4	-	89
Temporary Assistant Chief Constable (appointed - 2 Dec 2013)	33	-	7	1	-	41
Assistant Chief Officer	112	-	22	2	-	136

In addition to the posts identified above, two officers from Norfolk acted as Assistant Chief Constables in joint Norfolk/Suffolk posts; a contribution of £65.7k was paid to Norfolk Police in respect of one of these officers.

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.

### 13. Related Parties

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

#### Central Government

Central Government has significant influence over the general operations of the CC. It is responsible for providing the statutory framework, within which the CC operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the CC has with other parties. Grants received from government departments are set out in the subjective analysis on page 20.

#### Officers

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

#### Other Public Bodies

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

#### **14. External Audit Costs**

The CC fees payable in respect of external audit services are as below, the 2014-2015 audit fee includes an amount of £4k in respect of 2013-14 which had not been provided for but had been an approved increase to the original scale fees. No audit fees have been payable for non-audit work.

2013/14 £000		2014/15 £000
	External audit services under the code of Audit Practice in accordance with Section 5 of the Audit Commission Act:	
20	The Chief Constable of Suffolk	24
<u>20</u>		<u>24</u>
-	Rebate for internal efficiencies	-
<u>20</u>		<u>24</u>

#### **15. Grant Income**

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

	Amount receivable for 14/15 £000	Amount receivable for 13/14 £000
<b>Credited to Services</b>		
Police incentivisation	87	117
Counter terrorism	613	563
PFI grant	-	-
Other specific grants	308	218
	<u>1,008</u>	<u>898</u>

#### **16. Private Finance Initiatives**

##### Police Investigations Centres (PIC)

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

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

The payment recognised in the CC accounts is for the services element which during 2014-2015 was £0.908m million (£0.842m in 2013-2014).

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 2015 (which exclude any availability/performance deductions), are shown in the following table:

	Revenue Services £000
Payable in 2015/16	1,055
Payable within two to five years	5,259
Payable within six to ten years	6,841
Payable within eleven to fifteen years	9,222
Payable within sixteen to twenty years	10,662
Payable within twenty one to twenty five years	9,710
Payable within twenty six to thirty years	3,804
	46,553

## 17. Termination Benefits

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

Exit Package Cost Band including Special Payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages		Total Value of Exit Packages	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
							£000	£000
£0 - £20,000	15	6	-	-	15	6	121	77
£20,001 - £40,000	3	1	-	-	3	1	88	33
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
	18	7	-	-	18	7	209	110

## 18. 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. Three defined benefit pension schemes are operated:

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

A new LGPS was introduced from April 2008 by the Department of Communities and Local Government. The new scheme continues to provide benefits based on final salary, the accrual rate changed from 1/80<sup>th</sup> to 1/60<sup>th</sup>, employee contributions rates are tiered between 5.5% and 7.5% of salary and protections for eligible employees retiring between 60 and 65 in the existing scheme are retained.

All employees moved across to the new scheme in April 2008, but the accrued benefits in the existing scheme are fully protected.

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.

Both the PPS and the NPPS are unfunded defined benefit schemes, meaning that there are no investment assets built up to meet pension liabilities. There is a Home Office requirement to charge the CIES with an employer's contribution of 24.2% of pensionable pay, the CIES also meets the costs of injury awards and the capital value of ill-health benefits. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department.

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.

The PCC has agreed a policy for calculating the budget provisions necessary to cover the costs chargeable to the CIES and the level of the Ill health and Injury Reserve which provides protection costs above the provision in the budget.

#### **Transactions relating to post-employment benefits**

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

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

	LGPS		Police Schemes	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Current service costs	5,221	5,384	26,741	25,053
Past service Costs	6	-	-	65
(gain)/loss from settlement	-	43	-	-
<b>Financing and investment income and expenditure</b>				
Net Interest Expense	1,703	1,310	43,751	41,180
<b>Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service</b>	<b>6,930</b>	<b>6,738</b>	<b>70,491</b>	<b>66,298</b>
<b>Other post employment benefit charged to the CIES</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(12,380)	(9)	7	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	3,484	-	22,140
- Actuarial gains/losses arising from changes in financial assumptions	30,451	3,363	152,081	38,478
- Other	(728)	2,111	(223)	(174)
<b>Total post employment benefit charged to the CIES</b>	<b>24,273</b>	<b>15,687</b>	<b>222,356</b>	<b>126,742</b>
<b>Movement in Reserves Statement (MIRS):</b>				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	(24,273)	(15,687)	(222,356)	(126,742)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	5,448	5,015	-	-
Retirement benefits payable to pensioners	-	-	25,561	23,833
<b>Net charge to the General Fund</b>	<b>5,448</b>	<b>5,015</b>	<b>25,561</b>	<b>23,833</b>

## Assets and liabilities in relation to retirement benefits

	Local Government Pension Scheme		Police Pension Schemes	
	2014/15	2013/14	2014/15	2013/14
Present value of liabilities	(194,555)	(154,398)	(1,214,431)	(1,017,636)
Fair value of plan assets	136,500	115,168	-	-
<b>Total Net liabilities</b>	<b>(58,055)</b>	<b>(39,230)</b>	<b>(1,214,431)</b>	<b>(1,017,636)</b>

## Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Police Pension Schemes	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening Balance at 1 April	154,398	135,488	1,017,636	914,727
Current service cost	5,221	5,384	26,741	25,053
Interest cost	6,738	6,192	43,751	41,180
Contributions by scheme participants	1,475	1,498	5,622	5,664
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions		3,484	-	22,140
- Actuarial gains/losses arising from changes in financial assumptions	30,451	3,363	152,081	38,478
- Other	(126)	2,111	(223)	(174)
Past service costs	6	-	-	65
Losses/(gains) on curtailment	-	43	-	-
Liabilities assumed on entity combinations				
Benefits Paid	(3,608)	(3,166)	(31,175)	(29,497)
Liabilities extinguished on settlements				
<b>Closing Balance at 31 March</b>	<b>194,555</b>	<b>154,398</b>	<b>1,214,431</b>	<b>1,017,636</b>

### Reconciliation of fair value of the scheme assets

	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Schemes	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Opening fair value of scheme assets	115,168	106,661	-	-
Interest Income	5,035	4,882	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	12,380	9	(7)	-
- Other	602	269	-	-
The effect of changes in foreign exchange rates				
Contributions from employer	5,448	5,015	25,561	23,833
Contributions from employees into the scheme	1,475	1,498	5,622	5,664
Benefits paid	(3,608)	(3,166)	(31,175)	(29,497)
Other	-	-	-	-
<b>Closing fair value of Scheme Assets</b>	<b>136,500</b>	<b>115,168</b>	<b>-</b>	<b>-</b>

### Total of Assets and Liabilities of the schemes

	Local Government Pension Scheme		Police Pension Schemes	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Opening Balance at 1 April	(39,187)	(28,827)	(1,017,636)	(914,727)
Current service cost	(5,221)	(5,384)	(26,741)	(25,053)
Interest cost	(1,703)	(1,310)	(43,751)	(41,180)
Return on plan assets (excluding the amount included in the net interest expense)	12,380	9	(7)	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	(3,484)	-	(22,140)
- Actuarial gains/losses arising from changes in financial assumptions	(30,451)	(3,363)	(152,081)	(38,478)
- Other	728	(1,842)	223	174
Past service costs	(6)	-	-	(65)
Contributions from Employers	5,448	5,015	25,561	23,833
Effect of Settlements	-	-	-	-
<b>Closing Balance at 31 March</b>	<b>(58,012)</b>	<b>(39,187)</b>	<b>(1,214,431)</b>	<b>(1,017,636)</b>

The Police Pension Schemes have no assets to cover its liabilities. The CC'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 following categories:

	Fair Value of Scheme Assets	
	31 March 2015 £000	31 March 2014 Restated £000
Cash and Cash Equivalents	1,600	784
Equity Instruments - industry type:		
- Consumer	10,223	9,999
- Manufacturing	4,703	6,088
- Energy and utilities	2,292	4,527
- Financial Institutions	5,907	6,810
- Health and Care	4,274	4,305
- Information Technology	2,454	2,332
- Other	1,382	2,362
Sub total Equity	<u>31,234</u>	<u>36,423</u>
Bonds - by Sector		
- Corporate	19,783	15,799
- Government	2,908	2,281
- Other	5,951	4,582
Sub total Bonds	<u>28,643</u>	<u>22,662</u>
Property - by type		
- UK Property	13,116	11,568
Sub total Property	<u>13,116</u>	<u>11,568</u>
Private equity - all:	4,157	3,975
Other Investment funds:		
- Equities	38,085	24,500
- Hedge Funds	5,266	4,199
- Infrastructure	3,071	1,847
- Other	11,327	9,210
Sub total Other Investment Funds	<u>57,748</u>	<u>39,756</u>
Derivatives:	3	0
- Foreign Exchange		
Sub total Derivatives	<u>0</u>	<u>0</u>
<b>Total Assets</b>	<u><b>136,497</b></u>	<u><b>115,168</b></u>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit 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 method.

Both the Police Schemes 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	
	2014/15	2013/14	2014/15	2013/14
<b>Mortality assumptions:</b>				
Longevity at 65 (LGPS) and 60 (PPS) for current pensioners				
Men	22.4	22.4	29.3	29.3
Women	24.4	24.4	31.5	31.5
Longevity at 65 (LGPS) and 60 (PPS) for future pensioners				
Men	24.3	24.3	30.9	30.9
Women	26.9	26.9	33.0	33.0
Rate of inflation (CPI - LGPS and RPI - PPS)	0.0%	1.6%	3.7%	3.7%
Rate of increases in salaries	4.3%	4.6%	3.9%	3.9%
Rate of increase in pensions	2.4%	2.8%	2.9%	2.9%
Rate for discounting scheme liabilities	3.2%	4.3%	4.3%	4.3%

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

	Local Government Pension Scheme		Police Pension Schemes	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
Decrease in Real Discount Rate (0.5% LGPS) (0.1% PPS)	12.0%	24,218	2.0%	24,629
1 year increase in member life expectancy	3.0%	5,837	3.0%	36,436
0.5% increase in the Salary Increase Rate	5.0%	10,117	2.0%	23,754
0.5% increase in the Pension Increase Rate	7.0%	13,370	8.0%	102,913

## 19. Creditors

The balance of Creditors is made up of the following:

	2014/15 £000	2013/14 £000
<b>Short term creditors:</b>		
Other entities and individuals	1,608	1,718
<b>Balance at 31 March</b>	<b>1,608</b>	<b>1,718</b>

## 20. Jointly Controlled Operations and Jointly Controlled Assets

Norfolk and Suffolk Constabularies have implemented and are developing ways in which both forces can work together to improve performance and to make financial savings. Currently the forces are focusing on Protective Services, Justice Services and Business Support. At 31 March 2015 significant progress towards fully collaborated units had been made, with some units working as joint departments, with operational cost sharing, while other units currently only share common management costs. Although both forces control their own financial arrangements in respect of these units, an agreement was drawn up to enable certain costs to be shared on an agreed ratio. The PCC regards these units as Jointly Controlled Operations. The agreed shared costs of fully collaborated units that arose during the year was as follows:

	Business Support £000	Justice Services £000	Protective Services £000	Total £000
<b>2014/15</b>				
Suffolk PCC	16,555	8,970	14,858	40,383
Norfolk PCC	21,502	11,651	19,299	52,452
<b>Total shared running costs</b>	<b>38,057</b>	<b>20,621</b>	<b>34,157</b>	<b>92,835</b>
<b>2013/14</b>				
Suffolk PCC	15,675	7,648	15,466	38,788
Norfolk PCC	20,359	9,933	20,088	50,380
<b>Total shared running costs</b>	<b>36,033</b>	<b>17,581</b>	<b>35,554</b>	<b>89,168</b>

West Yorkshire Police is the lead force for the National Police Air Service (NPAS). During 2012-13 all owned airframes (including the one owned by the former Suffolk Police Authority) transferred to the ownership of the Commissioner for West Yorkshire while leased airframes remained in the ownership of the lessor but the lease costs transferred.

Forces retained ownership of all freehold airbases, but some leases for airbases were novated to the Commissioner for West Yorkshire.

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 West Yorkshire will charge forces for the service. The Home Office provide 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 £804k was payable to West Yorkshire PCC in respect of the NPAS service provided.

At 31 March 2015 West Yorkshire PCC owed Suffolk PCC £1.31m in respect of the Suffolk airframe. The balance is due to be paid in annual instalments up until 2024/25.

On 1 April 2010, police forces within the Eastern Region entered into a collaborative agreement called the Eastern Region Specialist Operations Unit (ERSOU), Bedfordshire act as the lead PCC. During 2014 additional units have been included within ERSOU. This agreement has been classified as a Jointly Controlled Operation. Suffolk PCC's share of the Unit's running costs are included in the CIES. The agreement currently covers ten distinct units, nine of which Suffolk collaborate on; ERSOU, Prisoner Intelligence Unit (PIU), Operational Security and the Technical Support Unit (TSU) which cover 5 forces; The Northern Region Investigation Team (NRIT), which covers three forces, The Regional Asset Recovery Team (RART), Protected Persons Unit (PPU), Cybercrime and The Regional Intelligence Unit (RIU) which cover all six regional forces. The net expenditure incurred by each force is as follows:

	Total 2014/15 £000	Total 2013/14 £000
Operating costs	11,672	7,923
Specific Home Office grant	(2,892)	(2,208)
Other income	-	(30)
<b>Net expenditure</b>	<b>8,780</b>	<b>5,685</b>
Contributions from forces:		
Bedfordshire	(544)	(1,055)
Cambridgeshire	(1,337)	(964)
Essex	(274)	(254)
Hertfordshire	(3,735)	(1,506)
Norfolk	(1,426)	(1,100)
Suffolk	(1,162)	(841)
<b>Deficit/ (Surplus) for the year</b>	<b>301</b>	<b>(35)</b>
Deficit/ (Surplus) b/fwd	(301)	(3)
Opening adjustment	85	(263)
Applied to training accounts	-	-
<b>Deficit/ (Surplus) c/fwd</b>	<b>86</b>	<b>(301)</b>

## **21. Contingent Liabilities**

### **Termination Payments**

In response to reductions in Government funding, the PCC is reducing the size of its workforce, particularly in support functions. Some new departmental structures have been introduced, but others will be introduced over the next few years and will probably result in some redundancy situations. There remains some uncertainty about the number of employees that will be affected and consequently it is not possible to estimate the cost of termination payments that will become payable.

### **MMI Ltd**

The insurance company Municipal Mutual Insurance Limited 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 there is a possibility that this arrangement will not meet the full liability of all claims, leaving a potential exposure to its customers. No claims have been made to date against Suffolk Constabulary.

### **A19 Group Claim**

A group claim has been received in relation to regulation A19 of the Police Pensions Regulations 1987. Under this regulation, the Suffolk Police Authority, on advice, had interpreted that they were permitted to retire officers in the interests of efficiency and where these officers had the requisite period of service to attain a defined pension entitlement. A significant number of the 43 geographic forces in England and Wales adopted this interpretation after seeking legal opinion.

A number of officers from different forces have successfully pursued complaints to the Employment Tribunal claiming they have been discriminated against because of their age. These cases have been appealed to the Employment Appeals Tribunal.

On 8 July 2015 the Employment Appeal Tribunal upheld the appeal by the forces, thus overturning the employment tribunal decision. The Police Superintendents' Association is currently seeking permission for the case to be taken to the Court of Appeal.

In light of the uncertainty surrounding future appeals, the group claim against Suffolk has been stayed pending the outcome of the appeals. Accordingly, at this juncture, the outcome of the Suffolk claims is uncertain. It will become clearer once the appeals, and further appeals, if any, involving officers from other forces have concluded.

### **Bear Scotland Ltd v Fulton and Others 2015**

The Employment Appeal Tribunal (EAT) in the case of Bear Scotland Ltd v Fulton and Others 2015 delivered a judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stemmed from a conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if less than three months since the last incorrect payment of holiday pay.

The case of British Gas v Lock, which followed the Bear Scotland judgement, is being appealed and as a result all issued cases have been stayed pending the decision which is not anticipated will be available before the end of 2015.

The legal advice is that the certainty, timing and amount of potential claims relating to this issue is uncertain due to the pending appeal of British Gas v Lock. Therefore no provision can be made at this time.

### **Taxation**

A number of tax related issues within the Police / Local Government Sector are progressing and being considered by forces and HMRC that could result in liabilities or assets arising. None of these are probable at this time in terms of timing or amounts and are therefore not provided for in these accounts, but will be kept under review.

### **Contractual dispute**

A significant contractual claim against the PCC Group is progressing through a legal process. The claim is being robustly defended and, therefore, may or may not result in a liability.

## Police Pension Fund Accounting Statements

### Fund Account

2013/14		2014/15	
£000	£000	£000	£000
		<b>Contributions receivable</b>	
		Employer	
	10,444	10,230	
	253	307	
	-	-	
10,697			10,537
		Members	
	5,664	5,810	
5,664			5,810
		<b>Transfers in</b>	
	344	144	
	-	-	
344			144
		<b>Benefits payable</b>	
	(23,674)	(24,865)	
	(4,539)	(5,059)	
	(400)	(418)	
	-	-	
(28,612)			(30,342)
		<b>Payments to and on account of leavers</b>	
	(2)	(3)	
	(380)	(337)	
	-	-	
(382)			(341)
(12,290)			(14,192)
		<b>Net amount receivable for the year before contribution from the Police General Fund</b>	
12,290			14,192
-			-
-			-
		<b>Net balance receivable for the year</b>	
-			-

### Net Assets and Liabilities

	2013/14	2014/15
	£000	£000
<b>Net current assets</b>		
Net balance receivable from the Police General Fund	-	-
	-	-
	-	-

## **GLOSSARY OF TERMS**

### **BUDGET**

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

### **CIPFA**

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

### **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.

### **FINANCIAL REGULATIONS**

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

### **FINANCIAL YEAR**

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

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

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

### **GLOSSARY**

Explanation of terms used

### **GOVERNMENT GRANTS**

Grants paid by the Government for a particular initiative.

### **INCOME**

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

### **OUTTURN**

The actual amount spent in the financial year.

### **RESERVES**

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

### **REVENUE EXPENDITURE AND INCOME**

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