OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK (OPCC (Suffolk))

GROUP STATEMENT OF ACCOUNTS

31 March 2013

Statement of Accounts
for the year ended 31 March 2013

Contents page

INDEPENDENT AUDITOR'S REPORT TO THE POLICE & CRIME COMMISSIONER FOR SUFFOLK

Opinion on the Police & Crime Commissioner for Suffolk's financial statements

We have audited the financial statements of the Police & Crime Commissioner for Suffolk for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Police & Crime Commissioner for Suffolk and Group Movement in Reserves Statement, the Police & Crime Commissioner for Suffolk and Group Comprehensive Income and Expenditure Statement, the Police & Crime Commissioner for Suffolk and Group Balance Sheet, the Police & Crime Commissioner for Suffolk Group Cash Flow Statement, and the Police & Crime Commissioner for Suffolk Group Police Pension Fund Accounting Statements and the related notes 1 - 42. 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 2012/13.

This report is made solely to the Police & Crime Commissioner for Suffolk, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police & Crime Commissioner for Suffolk, 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 the Chief Finance Officer's Responsibilities 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 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police & Crime Commissioner for Suffolk and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police & Crime Commissioner for Suffolk as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 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 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police &

Crime Commissioner for Suffolk to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Police & Crime Commissioner for Suffolk and the auditor

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

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

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

Basis of conclusion

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 November 2012. We have considered the results of the following:

- our review of the Annual Governance Statement;
- our review of the results of the work of other regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- any work mandated by the Audit Commission and our locally determined risk-based work on transitional arrangements.

The Audit Commission has determined these criteria are those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police & Crime Commissioner for Suffolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police & Crime Commissioner for Suffolk 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 November 2012, we are satisfied that, in all significant respects, the Police & Crime Commissioner for Suffolk put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

....   Date:..

Neil A Harris

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

September 2013

Statement of Responsibilities for the Statement of Accounts

The Office of the Police and Crime Commissioner for Suffolk OPCC (Suffolk) Responsibilities

The PCC must:

- arrange for the proper administration of the OPCC's financial affairs and ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer (PCC).
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.
- To ensure that there is an adequate Annual Governance Statement

I approve the following Statement of Accounts:

……………………………………………….. **……….……..…..**

T Passmore
Police and Crime Commissioner for Suffolk **Date**

The responsibilities of the Chief Financial Officer (PCC)

The CFO (PCC) is responsible for preparing the Statement of Accounts for the OPCC (Suffolk) 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 (PCC) 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 (PCC) 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 Chief Financial Officer (PCC)

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 PCC at 31 March 2013, and its income and expenditure for the year to that date.

………………..…………..… **……………………………**

C Bland CPFA (CFO PCC) **Date**

Chair of Audit Committee

These accounts were reviewed by the Audit Committee on behalf of the PCC on 24 September 2013.

…………………………..… **……………………………**

A Tyler **Date**

Explanatory Foreword

This section highlights some of the more important issues that were reported in the accounts and comments on any issues that have had a major effect on the PCC's finances.

Introduction

2012/13 was a significant year for changes in the governance arrangements for policing. On 22 November 2012, Tim Passmore took up the Office of the Police and Crime Commissioner for Suffolk following elections held on 15 November 2012, replacing the Suffolk Police Authority. Further details explaining the impact of these changes are disclosed in Note 5 to the Financial Statements.

Explanation of financial statements

The 2012/13 statement of accounts for the OPCC (Suffolk) and the OPCC (Suffolk) Group are set out on the following pages. The purpose of individual primary statements are explained below:

- The Movement in Reserves Statement (MIRS) shows the movement in the year on the different reserves held by the PCC, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the PCC.

- The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. Adjustments made between the accounting and funding basis' are shown in the Movement in Reserves Statement.

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

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

Please note that occasionally £1k differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies.

Prior Period Adjustments

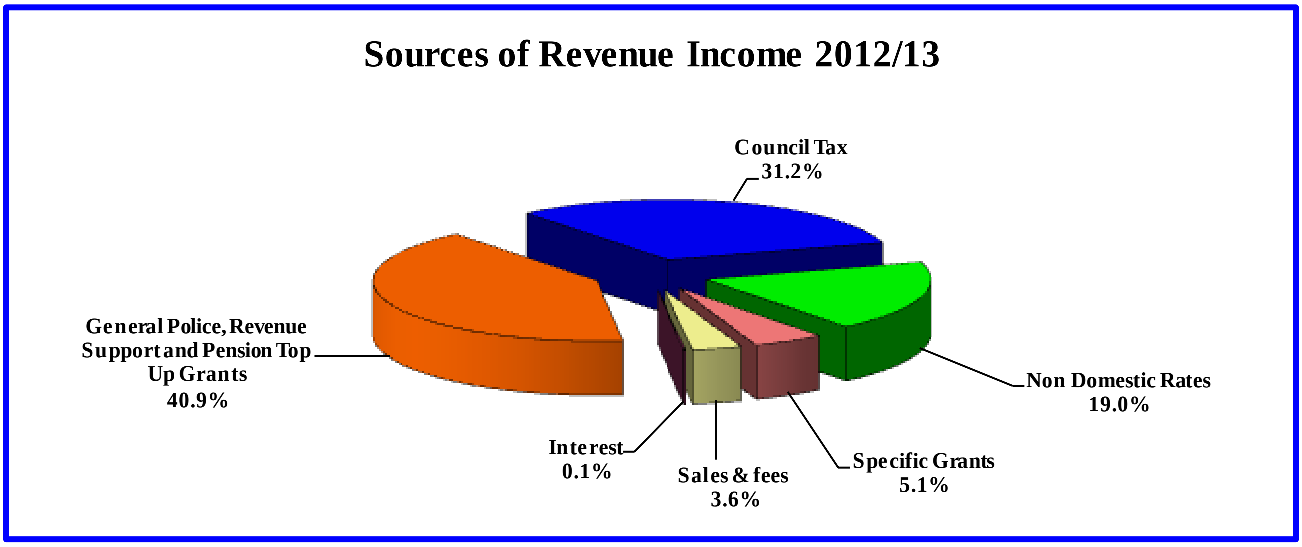
Term deposits held at 31 March 2012 and amounting to £3m have been reclassified as cash and cash equivalents rather than short term investments in accordance with the associated accounting policy. The impact on the primary financial statements are shown in note 42 to the financial statements.

Revenue Budget

In February 2012, the Police Authority approved a net revenue budget for 2012/13 of £112.221m. The council tax for a Band D property for 2012/13 was increased by 3.75% to £166.77.

Sources of Funding

The majority of police funding comes from the Government in the form of general and specific grants together with a share of business rate income from the national pool. The remainder comes from Council tax and fees and charges. The financing burden on local Council taxpayers has steadily increased and this trend continued in 2012/13 as Government grants were reduced. The budget requirement for Suffolk Police expressed in terms of cost per head of population is the third lowest of all 42 police forces in England and Wales. The chart below shows the sources of revenue funding in 2012/13:



Savings plans

The CSR Settlement in 2010 included the announcement of a 20% reduction in real terms, to be phased in by 2014/15. The ambitious savings plan formulated in 2011/12 continued into 2012/13, where savings of £7.314m were identified, of which £6.664m were achieved on a permanent basis. The shortfall of £0.650m was due to delays in some areas; however this was met by savings of a temporary nature. These have become permanent from 2013/14, therefore these savings will be made on an ongoing basis. In addition to this, a further £3.654m of savings have been included in the Medium Term Financial Plan for 2013/14. The PCC is committed to providing the best possible policing service across Suffolk whilst at the same time reducing costs.

Changes to Accounting Practice, Policies and Disclosures

There are no changes to the 2012/13 Code of Practice that significantly impact this Statement of Accounts. Reclassification of certain investments held at 31 March 2012 has led to a restatement of balances (£3m) from investments to cash and cash equivalents.

Capital Budget

The Capital programme for 2012/13 was initially set at £6.759m. Delays in 2011/12 schemes resulted in a carry-forward of £2.398m, and additional capital grants approved during the year increased the total programme to £10.428m. Actual expenditure against this total was £5.822m. The variance was due to the re-phasing of several schemes, the major ones being mobile data, project Athena (to include new crime, intelligence, case and custody systems), replacement of vehicles, Airwave and estates downsizing.

The capital programme was financed by government grants and contributions (£1.7m), revenue contributions (£0.7m – including de-minimis and un-capitalised expenditure of £0.6m), the Capital Financing Reserve (£1.2m) and capital receipts (£2.2m). In addition to the capital programme, expenditure on the Ipswich Joint Property Programme (JPP), amounted to £4.3m of which £3.9m was financed from borrowing. Multi-functional devices were financed through leasing and amounted to £352k. Revenue funding was also used to back-fund the helicopter, this amounted to £1.7m.

Revenue Expenditure Compared to Budget.

For Budgeting purposes the Revenue Budget is compiled and controlled as set out in the following table:

	Budget £000	Final outturn £000	Variance £000
Constabulary	109,016	106,878	2,138
Corporate	1,142	976	166
Capital Financing	5,475	3,770	1,705
Net total contributions to / (from) earmarked reserves	(3,227)	(1,821)	(1,406)
Total Net Expenditure	112,406	109,803	2,603
Grants and non-domestic rates income	69,295	69,295	-
Precept income (before collection fund balance adjustment)	42,926	42,926	-
Transfer from/(to) general reserves	**185**	**(2,418)**	**2,603**

The main variances within the constabulary budget were non-recurring:

- Surplus in Income of £247k, primarily relating to a surplus in Mutual Aid due to the Olympics. (0.20% of the income budget)
- Reduced costs of £502k in ICT in relation to the network, telephone rental and annual software licences, which have been identified as future revenue savings within the Business Support Review.
- Under-spends in Forensic and Medical costs of £540k, partly due to the implementation of the Police Investigation Centres, enabling a reduction in future years' budgets.
- Contractual penalties received in relation to the Police Investigation Centre contract of £288k.
- Police Officer strength was lower than the budgeted average, which produced an under-spend of £282k (0.56%).
- Staff vacancies relating to temporary savings in advance of permanent establishment changes provided an under-spend of £205k (0.52%)

The Total Net Expenditure in the above table is different to Net Cost of Police Services reported in the CIES (shown on page 10), which is prescribed by the Code of Practice. The difference is primarily made up of accounting adjustments required by the Code. The reconciliation between the two amounts is shown in the table below.

2011/12 £000		2012/13 £000
112,787	**Total Net Expenditure per Outturn Report**	109,803
(2,151)	Revenue funding of capital	(2,983)
(661)	Minimum Revenue Provision (MRP)	(407)
11,064	Depreciation, amortisation and impairments	8,761
31	Proceeds from the sale of fixed assets not taken to the Capital Receipts Reserve	32
35,799	IAS 19 pension service costs (accounting basis)	25,969
(16,638)	Pension contributions (funding basis)	(16,270)
(938)	Movement on employee benefits accrual	292
(806)	Transfers to earmarked reserves	1,821
276	Interest received	194
(2,358)	Interest payable	(3,117)
1,030	Council tax freeze grant	-
137,436	**Net Cost of Police Services**	**124,096**

Pension Liabilities

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

Year-end	*Total*	*Officers*	*Staff*
31 March 2013	£944m	£915m	£29m
31 March 2012	£803m	£782m	£21m

These liabilities result in the Balance Sheet showing net overall liabilities of £891.5m at 31 March 2013, however, the financial position of the PCC remains sound as these liabilities will be spread over many years.

Financial Needs and Resources

As at 31 March 2013, the PCC has usable reserves of £17.8m which are available to support revenue and capital spending. These include earmarked reserves of £9.5m (against which there are significant commitments), and a general reserve of £8.3m. These reserves are not fully supported by cash balances, primarilydue to capital expenditure in some prior years being financed from cash.

Treasury Management

Treasury Management includes borrowing, investment, interest rate exposures, cash balances, cash-flow forecasting and banking relationships. The PCC has agreed a Treasury Management Strategy which complies with CIPFA guidance. During 2012/13, the PCC continued to invest available cash balances in accordance with cash-flow forecasts, ensuring that prescribed policies with regard to security and liquidity were observed. The average level of investments for 2012/13 was £24.8m and the interest received against the budget of £0.200m was £0.194m. The overall return of 0.78% exceeded the benchmark of the Local Government 7 day rate average of 0.25% by 0.53%

Looking Forward

The approved Medium Term Financial Plan (MTFP) covering the four financial years 2013/14-2016/17 includes planned savings of £5.876m, with planned savings of £3.654m in 2013/14. However, the most challenging years of this four year period will be 2015/16 and 2016/17 when, under current assumptions, additional recurring savings of £4.743m need to be identified.

Whilst these figures have been calculated on the basis of the Comprehensive Spending Review (CSR) issued in December 2010 (covering the period 2011/12-2014/15), a further CSR review was announced on 26 June 2013, the detail of which is not expected to be available until December 2013. It is anticipated, however, that further cuts in police grant funding will be made in future years.

The financial consequences of CSR 2013 will be evaluated, incorporated in a revised MTFP covering the period 2014/15-2017/18, and considered by the PCC as part of the budget and precept setting process for 2014/15.

The Police Reform and Social Responsibility Act 2011 provided that on 21 November 2012, all existing rights, assets and liabilities transferred from the Authority to the PCC. This included the transfer of all police staff and was referred to as the “Stage 1” transfer. The Act also provides for a second “Stage 2” transfer which refers to the subsequent management of certain staff, property, rights and liabilities from the PCC to the Chief Constable (CC). The “Stage 2” transfer is designed to allow PCCs and CCs the freedom to make arrangements about how their respective functions will be discharged in the future.

The Home Secretary has directed that the “Stage 2” transfers must be completed by 1 April 2014.

Transfer “Stage 2” will impact upon corporate governance by the PCC and CC and a number of the governance mechanisms will need to be reviewed so that appropriate governance arrangements are put in place for the period from 1 April 2014 onwards. A transition project group has been established comprising senior officers from the Offices of the PCCs and the Constabularies for both Norfolk and Suffolk, in view of the extensive collaborative activity. This group is leading on progressing the transition, which will include consideration of the potential accounting implications of the various governance arrangements reviewed.

Chris Bland CPFA
CFO (PCC)

Movement in Reserves Statement for the OPCC (Suffolk) and the OPCC (Suffolk) Group

Year Ended 31 March 2012	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**
Balance at 1 April 2011	**3,956**	**10,548**	**-**	**-**	**14,504**	**(698,615)**	**(684,111)**
Surplus or (deficit) on provision of services (accounting basis)	(49,415)	-	-	-	**(49,415)**	**-**	**(49,415)**
Other comprehensive income and expenditure	-	-	-	-		**(12,249)**	**(12,249)**
Total comprehensive income and expenditure	**(49,415)**	**-**	**-**	**-**	**(49,415)**	**(12,249)**	**(61,664)**
Amortisation of intangible assets	159	-	-	-	**159**	**(159)**	**-**
Depreciation on property, plant and equipment	4,197	-	-	-	**4,197**	**(4,197)**	**-**
Revaluation losses on property, plant and equipment	6,707				**6,707**	**(6,707)**	**-**
Capital grants and contributions credited to the CIES	(2,150)	-	-	114	**(2,036)**	**2,036**	**-**
Net gain or loss on the sale of non-current assets	(402)	-	674	-	**272**	**(272)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	59,381	-	-	-	**59,381**	**(59,381)**	**-**
Movement on the collection fund adjustment account	162	-	-	-	**162**	**(162)**	**-**
Capital expenditure charged to the General Fund Balance	(2,151)	-	-	-	**(2,151)**	**2,151**	**-**
Statutory provision for the repayment of debt	(661)	-	-	-	**(661)**	**661**	**-**
Contribution to the Police Pension Fund	(12,256)	-	-	-	**(12,256)**	**12,256**	**-**
Movement on the Compensated Absences Account	(938)	-	-	-	**(938)**	**938**	**-**
Transfers to / from non earmarked reserves	-	-	(674)	-	**(674)**	**674**	**-**
Adjustments between accounting basis and funding basis under regulations	**52,049**	**-**	**-**	**114**	**52,163**	**(52,163)**	**-**
Net increase / decrease before transfers to Earmarked Reserves	**2,634**	**-**	**-**	**114**	**2,748**	**(64,411)**	**(61,663)**
Transfers to / from earmarked reserves	(806)	806	-	-	**-**	**-**	**-**
Increase / decrease in year	**1,828**	**806**	**-**	**114**	**2,748**	**(64,411)**	**(61,663)**
Balance at 31 March 2012	**5,784**	**11,354**	**-**	**114**	**17,252**	**(763,025)**	**(745,773)**

Movement in Reserves Statement for the OPCC (Suffolk) and the OPCC (Suffolk) Group

Year Ended 31 March 2013	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**
Balance at 1 April 2012	**5,784**	**11,354**	**-**	**114**	**17,252**	**(763,025)**	**(745,773)**
Surplus or (deficit) on provision of services (accounting basis)	(38,802)	-	-	-	**(38,802)**	-	**(38,802)**
Other comprehensive income and expenditure	-	-	-	-	-	**(106,963)**	**(106,963)**
Total comprehensive income and expenditure	**(38,802)**	-	-	-	**(38,802)**	**(106,963)**	**(145,765)**
Amortisation of intangible assets	179	-	-	-	**179**	**(179)**	-
Depreciation on property, plant and equipment	3,965	-	-	-	**3,965**	**(3,965)**	-
Revaluation losses on property, plant and equipment	4,616				**4,616**	**(4,616)**	-
Capital grants and contributions credited to the CIES	(1,686)	-	-	3	**(1,683)**	**1,683**	-
Application of capital grants from unapplied account	-	-	-	(66)	**(66)**	**66**	-
Net gain or loss on the sale of non-current assets	933	-	1,911	-	**2,844**	**(2,844)**	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	297	-	**297**	**(297)**	-
Difference between IAS 19 pension costs and those							-
calculated in accordance with statutory requirements	47,460	-	-	-	**47,460**	**(47,460)**	-
Movement on the collection fund adjustment account	8	-	-	-	**8**	**(8)**	-
Capital expenditure charged to the General Fund Balance	(2,983)	-	-	-	**(2,983)**	**2,983**	-
Statutory provision for the repayment of debt	(407)	-	-	-	**(407)**	**407**	-
Contribution to the Police Pension Fund	(12,980)	-	-	-	**(12,980)**	**12,980**	-
Movement on the Compensated Absences Account	292	-	-	-	**292**	**(292)**	-
Use of capital receipts to fund asset purchases	-	-	(2,208)	-	**(2,208)**	**2,208**	-
Adjustments between accounting basis and funding basis under regulations	**39,399**	-	-	**(63)**	**39,336**	**(39,336)**	-
Net increase / decrease before transfers to Earmarked Reserves	**597**	-	-	**(63)**	**534**	**(146,299)**	**(145,765)**
					-		-
Transfers to / from earmarked reserves	1,821	(1,821)	-	-	-	-	-
Increase / decrease in year	**2,418**	**(1,821)**	-	**(63)**	**534**	**(146,299)**	**(145,765)**
Balance at 31 March 2013	**8,203**	**9,533**	-	**51**	**17,788**	**(909,324)**	**(891,536)**

Comprehensive Income and Expenditure Statement

for the OPCC (Suffolk) and the OPCC (Suffolk) Group

for the year ended 31 March 2013

Gross Expenditure 2011/12 £000	Income 2011/12 £000	Net Expenditure 2011/12 £000		Note	Gross Expenditure 2012/13 £000	Income 2012/13 £000	Net Expenditure 2012/13 £000
			Division of Service:				
53,272	(4,293)	48,979	Local Policing		56,148	(4,351)	51,796
10,679	(58)	10,621	Dealing with the Public		11,005	(103)	10,902
19,511	(4,772)	14,739	Criminal Justice Arrangements		14,990	(4,302)	10,688
6,210	(157)	6,053	Road Policing		5,373	(370)	5,003
8,105	(909)	7,195	Specialist Operations		7,405	(1,102)	6,304
6,592	(82)	6,509	Intelligence		7,148	(285)	6,863
26,729	(743)	25,985	Investigations		27,493	(1,265)	26,228
3,998	(15)	3,983	Investigative Support		3,512	(51)	3,461
2,527	(1,422)	1,105	National Policing		2,638	(1,628)	1,010
10,523	-	10,523	Non-distributed costs		230	-	230
1,742	-	1,742	Corporate and democratic core		1,611	-	1,611
149,888	**(12,452)**	**137,436**	**Net Cost of Police Services**	**7**	**137,552**	**(13,456)**	**124,096**
			Other Operating Expenditure:				
-	**(433)**	**(433)**	Loss/(profit) on disposal of fixed assets		**901**	**-**	**901**
			Financing and Investment Income and Expenditure:				
2,358	-	2,358	Interest payable and similar charges	**36**	3,117	-	3,117
40,220	-	40,220	Pensions interest cost and expected return on pensions assets	**20**	37,761	-	37,761
-	(276)	(276)	Interest and investment income	**36**	-	(194)	(194)
42,578	**(276)**	**42,302**			**40,878**	**(194)**	**40,684**
			Taxation and Non-specific Grant Income:				
-	(12,256)	(12,256)	Home Office contribution to police pensions	**11**	-	(12,980)	(12,980)
-	(6,437)	(6,437)	Revenue support grant	**11**	-	(505)	(505)
-	(46,936)	(46,936)	General grants	**11**	-	(42,761)	(42,761)
-	(2,150)	(2,150)	Capital grants and contributions	**11**	-	(1,686)	(1,686)
-	(20,826)	(20,826)	Non-domestic rate redistribution		-	(26,030)	(26,030)
-	(41,285)	(41,285)	Precepts	**14**		(42,918)	(42,918)
-	**(129,889)**	**(129,889)**			**-**	**(126,878)**	**(126,878)**
		49,415	**Deficit/(Surplus) on the Provision of Services**				**38,802**
			Other Comprehensive Income and Expenditure:				
		(68)	(Surplus) / deficit on the revaluation of assets				-
		12,317	Actuarial (gains) / losses on pension assets and liabilities	**20**			106,963
		12,249					**106,963**
		61,664	**Total Comprehensive Income and Expenditure**				**145,765**

Balance Sheet for the OPCC (Suffolk) and the OPCC (Suffolk) Group as at 31 March 2013

31 March 2012 £000 Restated		Notes	31 March 2013 £000
74,044	Property, plant and equipment	**16**	68,125
1,383	Intangible assets	**16**	2,112
75,427	**Non-Current Assets**		70,237
-	**Long Term Debtors**	**23**	1,940
75,427	**Total Long term Assets**		72,177
290	Inventories	**22**	246
12,592	Short term debtors and prepayments	**23**	7,821
14,255	Cash and cash equivalents	**24**	12,839
2,008	Short term investments	**21**	3,001
1,372	Assets held for sale	**25**	2,219
30,517	**Current Assets**		26,127
105,944	**TOTAL ASSETS**		**98,304**
12,539	Short-term creditors and accruals	**26**	9,657
12,539	**Current Liabilities**		9,657
802,773	Other long term liabilities	**20**	944,215
533	Provisions	**28**	622
9,836	Long term borrowing	**36**	9,595
25,077	PFI Liabilities	**19**	24,860
-	Finance leases		288
959	Grants receipts in advance	**11**	602
839,178	**Long Term Liabilities**		980,182
851,717	**TOTAL LIABILITIES**		**989,840**
(745,773)	**NET ASSETS / (LIABILITIES)**		**(891,536)**
17,252	Usable reserves	**Page 8/9**	17,788
(763,025)	Unusable reserves	**32**	(909,324)
(745,773)	**TOTAL RESERVES**		**(891,536)**

The unaudited accounts were issued on 28 June 2013 and the audited accounts, as amended following audit, were authorised for issue on 24 September 2013.

………………………….. **……………….…………**

C Bland CPFA (CFO) **Date**

Cash-flow Statement for the OPCC (Suffolk) and the OPCC (Suffolk) Group

for the year ended 31 March 2013

2011/12 £000 Restated		Note	2012/13 £000
(49,415)	**Net Surplus/(deficit) on the provision of services**	**Page 11**	**(38,802)**
52,330	Adjustment for non cash or cash equivalent movements	**35**	46,711
	Adjustment for items included in net deficit on the provision		
-	of services that are investing or financing activities:		-
(2,150)	Capital grants and contributions		(1,686)
766	**Net cash flows from operating activities**		6,223
8,030	Investing activities	**34**	(7,121)
(584)	Financing activities	**34**	(518)
8,212	**Net increase or (decrease) in cash and cash equivalents**	**34**	**(1,416)**
6,043	Cash and cash equivalents at the beginning of the reporting period		14,255
14,255	**Cash and cash equivalents at the end of the reporting period**	**24**	**12,839**

Notes to the Financial Statements for the OPCC (Suffolk) and the OPCC (Suffolk) Group

1. Accounting Policies

(a) General principles

The Statement of Accounts summarises the PCC's transactions for the 2012/13 financial year and its position at the year-end 31 March 2013. The PCC 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 2012/13 (COP) and the 2012/13 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) 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.

(c) Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the PCC's cash management.

(d) Debtors and creditors

Revenue and capital transactions are included in the accounts on an accruals basis. Where goods and services are ordered and delivered by the year-end, the actual or estimated value of the order is accrued. With the exception of purchasing system generated accruals a de-minimis level of £100 is set for year-end accruals.

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

The CIES is debited, where appropriate, with the depreciation, amortisation and impairment of Non-Current Assets held during the year, but council tax is not raised to include these charges. Instead an annual provision known as the "Minimum Revenue Provision (MRP)" is made from the revenue budget to contribute to the cost of any unfunded capital expenditure, which is represented by the "Capital Financing Requirement". Guidance issued under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009, enables authorities to calculate an amount of MRP, which they consider to be prudent. For capital expenditure incurred from 2008/09, the PCC has approved calculating the MRP using the Option 3 method, which results in equal instalments of MRP being charged over the related assets useful life.

Depreciation, amortisation and impairment losses are reversed from the General Fund and charged to the Capital Adjustment Account via the MIRS (Movement in Reserves Statement). MRP is charged to the General Fund along with any Revenue Funding of Capital and credited to the Capital Adjustment Account via the MIRS.

(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 of the PCC 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 PCC 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 4.5%, 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 PCC 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 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 PCC, 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 PCC 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 PCC 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 Authority 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 authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer toencourage 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 Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

(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) Exceptional items

Where items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the PCC's financial performance.

(i) Financial instruments

Financial liabilities

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

For the borrowings that the PCC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets can be classified into two types:
(i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
(ii) Available for sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payment

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

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the most of the loans that the PCC has made, this means that the amount presented in the Balance Sheet is the outstanding principal and receivable (plus accrued interest). Interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

(j) 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

(k) 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 PCC when there is reasonable assurance that:

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

Amounts recognised as due to the PCC 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.

(l) Heritage Assets

Heritage assets owned by the PCC are not material and are therefore not disclosed as a separate class on the Balance Sheet. Further information on Heritage Assets are disclosed in Note 40 to the Financial Statements.

(m) Intangible assets

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

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

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

Intangible assets are measured at cost and are amortised over their useful life and charged appropriately to the relevant service line in the CIES. As amortisation, impairments and disposal gains are not permitted to have an impact on the General Fund balance, such amounts are reversed in the MIRS and posted to the Capital Adjustment Account (CAA) or for sales proceeds, the Capital Receipts Reserve.

(n) Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. Supplies from inventories are charged to the relevant service line in the CIES using an average cost formula.

(o) Investment policy

The PCC has an investment and cash management policy for 2012/13, which was approved in February 2012. The main provisions are:

- to invest only in the money markets or in direct bank accounts and only to approved institutions, which are, the Bank of England, specific UK banks and their wholly owned UK subsidiaries, local authorities and building societies which achieve a P1 rating from Moodys and all local authorities.
- A minimum of £1m is held on an instant access basis to meet any unexpected needs.

(p) Jointly controlled operations and jointly controlled assets

Jointly controlled operations are activities undertaken by the PCC 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 PCC recognises on its Balance Sheet the assets it controls and the liabilities and expenses that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity or operation.

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

(q) Leases

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

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

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

<u>The PCC as Lessee</u>

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The PCC as Lessor

The PCC currently is not party to any contract in which it acts as lessor.

(r) Overheads and support services

The costs of overheads and support services are charged to service lines that benefit from the supply or service in accordance with the costing principles of (SeRCOP). Costs are attributed to service lines either directly or using an appropriate cost driver with the exception of:

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

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in (SeRCOP) and accounted for as separate headings in the CIES, as part of Net Expenditure on Continuing Services.

(s) 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 PCC is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the PCC at the end of the contracts for no additional charge, the PCC carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the PCC.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – charged to the unitary payment when they are incurred in future years .

(t) Police pension fund account

The format of the Police Pension Fund Account is prescribed by the Home Office. The Account is not a Pension Fund within the context of IAS 19 or accounting conventions, but is simply a record of the transactions between the PCC and the Home Office. The Fund Statement is prepared on an accruals basis.

(u) Property, plant and equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the PCC and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred. All expenditure on the acquisition, creation or enhancement and disposal of non-current assets is capitalised subject to a de minimis threshold of £5,000, except for expenditure on computers, PC screens, printers, photocopiers, radios, firearms and furniture items costing over £500, which will always be capitalised.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.)

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for in the following way:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Deprecation is calculated on the following bases:

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

The Code of Practice requires that where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, where the remaining asset life is significantly different for identifiable components, unless it can be proved that the impact on the PCC's Statement of Accounts is not material. The PCC has assessed the cumulative impact of component accounting. As a result the PCC applies component accounting prospectively to assets that have a valuation in excess of £2m unless there is clear evidence that this would lead to a material misstatement in the PCC's Financial Statements.

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

(v) Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the PCC 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 PCC. 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.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(w) Reserves

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

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

Revaluation Reserve

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

Capital Adjustment Account

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

(x) 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.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

In 2013-2014 adoption of the amendments to the following standards may be required: IAS19 Employee benefits, IAS1 Presentation of Financial Statements – Other Comprehensive Income, IFRS7 Financial Instruments Disclosures – Offsetting Financial Asset and Liabilities, IAS12 Deferred Tax- Recovery of Underlying Assets. Retrospective application of these standards may be required.

3. Critical Judgements in Applying Accounting Standards

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.

- It is likely that future levels of funding will reduce in line with CSR announcements in October 2010. However, the PCC has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the PCC might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The PCC has taken over the obligations arising from a PFI contract entered into by the former Police Authority. The 30 year PFI contract was for the provision of newly built Police Investigation Centres, title to the assets will be retained by the PCCs of both Norfolk and Suffolk on completion of the contract. Associated assets have been capitalised and treated "on Balance Sheet" as required by IFRS.

- A judgement was made as to how best disclose expenditure incurred by the PCC at the request of the Chief Constable. It was decided that the best measure of this expenditure was to disclose the expenditure within the segmental reporting note (Note 7). It was established at Stage 1 of the Police Reform measures that control and risk for all expenditure, income, assets and liabilities sit with the PCC and therefore the primary Financial Statements of the Chief Constable for Suffolk show no income, expenditure, assets or liabilities.

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

Property, plant and equipment

The value of land and property together with asset lives are obtained from the PCC's appointed external valuers (NPS Group). The PCC relies upon the experience and knowledge of the valuer using the Royal Institute of Chartered Surveyors (RICS) *Appraisal and Valuation Manual* to provide a fair value under IAS16. The carrying value of land and buildings (excluding assets under construction and held for sale) at the Balance Sheet date was as follows:

Land	£12.5m
Property	£45.6m

Due to changing land and property prices in the current economic climate this valuation may change in the next financial year. Valuations are accounted in accordance with paragraph (u) of the accounting policies note.

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 PCC with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £103.0m.

5. The Creation of the OPCC (Suffolk) and the Chief Constable (Suffolk)

Following the Police Reform and Social Responsibility Act 2011 (The Act), Suffolk Police Authority was replaced on 22 November 2012 by two Corporations Sole, The Office of Police and Crime Commissioner for Suffolk and The Chief Constable for Suffolk, following elections held on 15 November 2012. The reforms identified within the Act are due to be phased in over a number of years rather than in one go. The 2012/13 Financial Statements are the first accounts to show the performance statements of the OPCC (Suffolk) and the OPCC (Suffolk) Group.

Legislative Changes

Part 1 of the Act contains provisions to abolish Police Authorities and replace them with directly elected Police and Crime Commissioners (PCC) for each police force outside London. PCCs are responsible for securing an efficient and effective police force. The Chief Constable is responsible for maintaining the Queen’s Peace and has operational direction and control over the force’s officers and staff.

Both the PCCs and the Chief Constables have been created under the Police Reform and Social Responsibility Act 2011 as new corporate entities (as Corporations Sole). These corporate entities have also been established as Schedule 2 (Accounts Subject to Audit) bodies under the Audit Commission Act 1998.

The Accounts and Audit (England) Regulations 2011 require authorities to follow “proper practices in relation to accounts” for the preparation of the Statement of Accounts. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) constitutes a “proper accounting practice” in England and Wales under the terms of Section 21 (2) of the Local Government Act 2003. PCCs in England and Wales are defined as local authorities under Section 23 (as amended by the Police Reform and Social Responsibility Act 2011) and will therefore need to follow the Code.

The Home Office Financial Management Code of Practice for the Police Service of England and Wales sets out that the Chief Financial Officer of the PCC will be responsible for ensuring the production of the Statements of Accounts and the Group Accounts of the PCC. The legal framework indicates that the Statements of Accounts including the Group Accounts and the single entity financial statements should be produced in accordance with the Code’s requirements.

Accounting for the transfer of functions to the new bodies

The Act allows for the establishment of two new bodies, the PCC and the Chief Constable. The 2012/13 Code sets out that a transfer of functions in full from the responsibility of one authority (or other public sector body) to another is required to be accounted for using the principles that apply to group reorganisations. The Code also sets out that merger accounting should be applied where the entity in which the interest has been acquired was 100% in public sector ownership both before and after acquisition by the local authority. The principle established in section 2.5 of the Code is such that local authorities (including Police Authorities) are deemed to be under common control. Therefore, overall government control of the body is unchanged.

There are two possible approaches to the application of merger accounting in the Code which should be considered:

1. Where PCCs (and Chief Constables) consider that the transfer of functions results in the establishment of new police bodies, then the approach would require that the financial statements of the abolished Police Authorities reflect their results up to the date of transfer whilst the statements of the new bodies report their results from the date of inception. The assets and liabilities of the Police Authority would be transferred at their carrying amount to the receiving PCC (and Chief Constable) as at the transfer date (subject to the exceptions specified in paragraph 2.5.2.1 a) and b) of the Code).
2. The alternative approach is that the establishment of the police bodies may be accounted for using merger accounting i.e. per FRS 6 *Acquisition and Mergers.* This is presented in the financial statements by restating the financial performance, position and cash flows of the entities involved as if the service or function performed had always taken place in these entities. Assets and liabilities are required by the Code to be transferred at their carrying amount with certain exceptions specified within paragraph 2.5.2.1.

The PCC and Chief Constable have agreed to apply the second option. By applying this option, the results and cash flows of the Police Authority were brought into the financial statements of the PCC (and the Chief Constable) from 1 April 2012, adjusted to achieve uniformity of accounting policies. Restatement of comparatives, including that of the results for Police Authority from the previous period, should be provided in accordance with the Code’s adoption of IAS 1.

Comparatives should be adjusted as necessary to achieve uniformity of accounting policies and consistency of presentation. In applying merger accounting to the financial statements from 1 April 2012, then the entities have not been accounted for as new bodies, as the accounting treatment presents the new entities as if they had always existed.

These arrangements apply to the group accounts and single entity financial statements of the PCC. This approach means that there are one set of financial statements for the PCC for the full year ending 31 March 2013. It also means that no financial statements have been produced for the Police Authority for the financial year 2012/13.

On 22 November 2012 the assets, liabilities and reserves of Suffolk Police Authority were transferred directly to the OPCC (Suffolk). Statutory and local control arrangements determine that the PCC holds all the asset, liabilities and reserves including the police pension liability on his Balance Sheet and this will remain the case during this first phase of transition, as through the control framework it is clear that future risks and benefits flow to the PCC from these balances rather than to the Chief Constable. Therefore there is a single Balance Sheet, MIRS and Cash Flow Statement for the OPCC (Suffolk) and the OPCC (Suffolk) Group.

It was established at stage 1 of the police reform measures mentioned above, that control and risk for all expenditure, income, assets and liabilities sit with the PCC and therefore the Chief Constable entity was in effect acting as an agent of the PCC throughout the reporting period. Therefore within the PCC's single entity financial statements, resources consumed at the request of the Chief Constable are shown as income and expenditure of the PCC. Due to the agency relationship between the PCC and the Chief Constable, the Chief Constable's accounts have been drawn up along the principles of IAS 18 - Revenue Recognition. The PCC has issued a decision notice in respect of the submission of the joint Stage 2 transition plan with Norfolk PCC to the Home Office for evaluation. The PCC plans to transfer the Constabulary officers and staff to the Chief Constable, while maintaining responsibilities for the assets and liabilities.

6. Service Expenditure Analysis

The principal functions included within the Net Cost of Service line in the PCC'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 PCC consumed at the Chief Constable's request, this amount relates to operational functions 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

Specialist investigation
Crime support command team and support overheads
Major investigation unit
Economic crime (including regional asset recovery team)
Specialist investigation
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.

7. Amounts Reported for Resource Allocation Decisions

	County Policing Command £000	Protective Services £000	Custody & Criminal Justice £000	Human Resources & Training £000	Finance & Resources £000	Other Services £000	Total Chief Constable £000	OPCC's Office £000	Not reported to management £000	Amounts not included in CIES £000	Total Group £000
Reported to Cabinet in 2012/13											
Fees charges and other income	(319)	(1,885)	(838)	(23)	(559)	(1,308)	**(4,932)**	-	-	-	**(4,932)**
Government grants	(58)	(1,161)	-	-	-	(5,815)	**(7,034)**	-	-	-	**(7,034)**
Total Income	**(377)**	**(3,046)**	**(838)**	**(23)**	**(559)**	**(7,123)**	**(11,966)**	**-**	**-**	**-**	**(11,966)**
Employee expenses	49,518	22,137	9,492	4,013	6,975	5,520	**97,655**	**740**	26,261	(16,270)	**108,386**
Other service expenses	2,093	3,521	2,515	474	8,830	3,540	**20,973**	**264**	661	(2,983)	**18,915**
Depreciation and impairments	948	630	638	104	1,260	5,176	**8,756**	**5**	-	-	**8,761**
Total Operating Expenditure	**52,559**	**26,288**	**12,645**	**4,591**	**17,065**	**14,236**	**127,384**	**1,009**	**26,922**	**(19,253)**	**136,062**
Net Operating Expenditure	**52,182**	**23,242**	**11,807**	**4,568**	**16,506**	**7,113**	**115,418**	**1,009**	**26,922**	**(19,253)**	**124,096**
Reported to Cabinet in 2011/12											
Fees charges and other income	(390)	(1,670)	(1,153)	(26)	(560)	(1,016)	**(4,815)**	-	-	-	**(4,815)**
Government grants	-	(1,489)	-	-	-	(6,148)	**(7,637)**	-	-	-	**(7,637)**
Total Income	**(390)**	**(3,159)**	**(1,153)**	**(26)**	**(560)**	**(7,164)**	**(12,452)**	**-**	**-**	**-**	**(12,452)**
Employee expenses	50,959	24,818	9,467	2,862	7,668	5,354	**101,128**	**753**	34,861	(16,638)	**120,104**
Other service expenses	3,340	4,279	2,269	564	7,077	2,635	**20,164**	**237**	471	(2,151)	**18,721**
Depreciation and impairments	1,012	1,089	496	131	1,085	7,249	**11,062**	**1**	-	-	**11,063**
Total Operating Expenditure	**55,311**	**30,186**	**12,232**	**3,557**	**15,830**	**15,238**	**132,354**	**991**	**35,332**	**(18,789)**	**149,888**
Net Operating Expenditure	**54,921**	**27,027**	**11,079**	**3,531**	**15,270**	**8,074**	**119,902**	**991**	**35,332**	**(18,789)**	**137,436**

The analysis of income and expenditure in the CIES is specified by Service Reporting Code of Practice. However decisions about resource allocation were taken by Cabinet (chief officers and heads of department) on the basis of budget reports analysed across directorates and are prepared on a different basis. For example retirement benefits are shown in the budget reports based on employer contributions whereas in the CIES pension costs are based on current service costs of benefits accrued during the year. The income and expenditure of the principal directorates recorded in the budget reports are shown in the table above.

The income and expenditure identified as "Total Chief Constable" relates to PCC resources expended at the Chief Constable's request. It does not relate to Income and Expenditure of the Chief Constable and does not appear within the Chief Constable legal entity.

8. Significant Agency Arrangements

Contributions are made towards the cost of bodies which provide services at national level, some or all of which are used by the Suffolk Constabulary on an agency basis. The major services are as follows:

2011/12 £000		2012/13 £000
614	Forensic Science Service - Forensic submissions	-
137	Forensic Science Service - DNA testing	-
332	Police National Computer	385
1,083	**Total cost of significant agency contributions**	**385**

Secondments to the Home Office and other agencies such as the Regional Intelligence Cell and the Immigration Service, generated the following income.

2011/12 £000		2012/13 £000
545	Home Office and other agencies	909
545	**Total agency income**	**909**

9. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a mechanism to set aside revenue funds for the redemption of debt. The Local Authorities (Capital Finance and Accounting) Regulations 2008 are issued under Section 21 of the Local Government Act 2003 and now allow authorities a variety of options in calculating their MRP. The options chosen were that MRP calculated using Option 2 be used for capital expenditure up to and including 31 March 2008, and Option 3 for all capital expenditure thereafter using the equal instalment method. Option 3 results in MRP charged in equal annual instalments over the assets remaining useful life. Accounting for PFIs and Finance Leases require that on balance sheet assets are also funded through MRP, the amount charged is equivalent to the capital element of the liability repaid during the year. The total amount charged to MRP in 2012/13 was £407k, (2011/12 - £661k)

10. Members' Allowances

The total of members' allowances claimed for the period to 22 November 2012 when the PCC was appointed was £0.118m (£0.188m in 2011/12).

11. Government Grants

The PCC credited the following grants and contributions to the CIES during the year

	Amount receivable for 12/13 £000	Amount receivable for 11/12 £000
Credited to Taxation and Non Specific Grant Income		
Revenue support grant	505	6,437
General police grant	42,761	45,906
Rule 2 grants included in general police grant	-	-
Council tax freeze grant	-	1,030
Home Office contribution to police pensions	12,980	12,256
Capital grants and contributions	1,686	2,150
	57,931	**67,779**
Credited to Services		
Police incentivisation	286	376
Police community support officers	3,054	3,072
Counter terrorism	673	859
Basic command unit	-	-
PFI grant	2,734	3,076
Other specific grants	286	254
	7,033	**7,636**

The PCC has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if not met. The balances at the year-end are as follows:

	31 March 2013 £000	31 March 2012 £000
Capital Grants Receipts in Advance		
Mobile data grant	461	728
Fixed camera replacement	100	100
Other minor grants and contributions	41	131
	602	**959**

12. Employees' Remuneration

The numbers of employees and police officers whose remuneration exceeded £50k in 2012/13 were as follows:

	2012/13	2011/12
Remuneration		
£50,000 - £54,999	52	66
£55,000 - £59,999	38	36
£60,000 - £64,999	12	19
£65,000 - £69,999	9	3
£70,000 - £74,999	1	3
£75,000 - £79,999	3	2
£80,000 - £84,999	1	6
£85,000 - £89,999	4	1
£90,000 - £94,999	2	1
£95,000 - £99,999	-	1
£100,000 - £104,999	1	1
£105,000 - £109,999	-	1
£110,000 - £114,999	1	1
£115,000 - £119,999	-	-
£120,000 - £124,999	1	1
£125,000 - £129,999	1	1
£140,000 - £144,999	-	1
£145,000 - £149,999	1	-

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

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.

	Salaries Fees and Allowances £000	Bonuses £000	Employers Pension Contributions £000	Benefits in Kind £000	Expenses £000	Total £000
2012/13						
Position held						
Chief Constable (retired - 18 Feb 2013)	130	-	13	4	-	147
Chief Constable (appointed - 4 Mar 2013)	11	-	2	-		13
Temporary Chief Constable *	145	-	32	2	-	179
Temporary Deputy Chief Constable	123	-	26	4	-	153
Assistant Chief Officer	111	-	22	4	-	137
Police and Crime Commissioner (in post from 22 Nov 2012)	25	-	5	-	-	30
Chief Executive (PCC)	103	-	22	-	-	125
CFO (PCC) - 0.8 FTE	65	-	13	-	-	78
2011/12						
Position held						
Chief Constable	139	-	32	5	-	176
Temporary Chief Constable *	125	-	29	2	-	156
Temporary Deputy Chief Constable	123	-	26	-	-	149
Assistant Chief Constable	104	-	23	4	-	131
Assistant Chief Officer	106	-	22	4	-	132
Chief Executive (PCC)	103	-	22	-	-	125
Treasurer (PCC) - 0.8 FTE	65	-	13	-	-	78

* At the 31 March 2013 the Deputy Chief Constable was seconded to Cleveland Police as the Temporary Chief Constable. The amounts disclosed are the total amounts paid to the post holder in the year. Suffolk Police have recovered costs from Cleveland Police throughout the year.

In addition to the posts identified above, two officers from Norfolk acted as Assistant Chief Constables in joint Norfolk/Suffolk posts, a contribution of £73k was paid to Norfolk Police in respect of one of these officers. Another officer was seconded from Essex Police to act as an Assistant Chief Constable, £114k was paid to Essex Police in respect of this officer.

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

The number of exit packages with 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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13 £000	2011/12 £000
£0 - £20,000	10	12	1	6	11	18	82	153
£20,001 - £40,000	-	3	1	1	1	4	22	101
£40,001 - £60,000	-	-	-	3	-	3	-	140
£60,001 - £80,000	-	2	-	-	-	2	-	137
	10	17	2	10	12	27	104	531

13. Related Parties Transactions

The PCC is required to disclose material transactions with bodies or individuals that have the potential to control or influence the PCC or to be controlled or influenced by the PCC. The total of transactions with related parties, where these are material and not disclosed elsewhere in the statement of accounts, are set out below:

During 2012/13 there were no material related party transactions involving, officers of the PCC or senior officers of the Constabulary, other than those included under employees' remuneration (note 12 on page 27) and members' allowances (note 10 on page 25).

Central government has effective control over the general operations of the PCC, it is responsible for providing the statutory framework within which the PCC operates, provides the majority of its funding and prescribes the terms of many of the transactions that the PCC has with other parties. Income from central government is set out in Note 11 of these financial statements.

14. Council Tax

The Suffolk district and borough councils are required to collect the amount of council tax determined by the PCC for policing the county. In 2012/13 the precept, including the estimated 2011/12 collection fund surplus/(deficit) was paid to the PCC during the year and amounted to £42.9m distributed as shown below. The Code of Practice now requires that Council Tax income included in the CIES for the year, should be prepared on an accruals basis. The cash received from the billing authorities is therefore adjusted for the PCC's share of the outturn opening and closing balances on the Collection Fund. These adjustments are however then taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS to ensure that only the regulatory amount is credited to the General Fund. The figures credited to the CIES are broken down as follows:

2011/12 £000		Received from Billing Authority £000	Outturn surplus/(deficit) on Collection Fund at 31.3.12 £000	31.3.13 £000	Total 2012/13 £000
5,381	Babergh District Council	5,594	-	(11)	5,583
2,831	Forest Heath District Council	3,031	(3)	(38)	2,995
6,704	Ipswich Borough Council	6,881	13	62	6,931
5,787	Mid Suffolk District Council	5,979	31	124	6,072
6,149	St Edmundsbury Borough Council	6,390	42	(61)	6,287
7,991	Suffolk Coastal District Council	8,311	(16)	14	8,342
6,442	Waveney District Council	6,739	33	2	6,708
41,285		**42,926**	**99**	**91**	**42,918**

The Code of Practice also requires the PCC to account for its share of net council tax arrears and prepayments within the Balance Sheet. This is offset within the Balance Sheet by an associated balance that reflects the difference between the net attributable share of cash received by the billing authorities from council tax debtors/creditors and the amounts paid to the PCC. The amounts owed to/from billing authorities in respect of council tax at the year-end was as follows:

Balance at 31.3.12 £000		Collection Fund £000	Net Arrears £000	Prepayments £000	Balance at 31.3.13 £000
(26)	Babergh District Council	11	105	(13)	103
4	Forest Heath District Council	38	108	(40)	107
114	Ipswich Borough Council	(62)	304	(35)	207
60	Mid Suffolk District Council	(124)	206	(25)	57
89	St Edmundsbury Borough Council	61	142	(58)	145
(35)	Suffolk Coastal District Council	(14)	166	(150)	3
86	Waveney District Council	(2)	255	(133)	121
292		**(91)**	**1,287**	**(454)**	**742**

15. External Audit Fees

The Group fees payable in respect of external audit services were as follows:-

2011/12 £000		2012/13 £000
	External audit services under the code of Audit Practice in accordance with Section 5 of the Audit Commission Act:	
78	Suffolk Police Authority	-
6	Statutory audit of PFI Scheme	-
-	The PCC for Suffolk	47
-	The Chief Constable for Suffolk	20
84		67
(6)	Rebate for internal efficiencies	-
78		**67**

16. Non-Current Assets

Movements in 2012-13	Land and buildings £000	Vehicles plant and equipment £000	Assets under con- -struction £000	Land awaiting development £000	Total £000
Property, Plant & Equipment					
Historic cost or revaluation					
Balance at 1.4.12	60,178	33,672	4,733	-	98,583
Restatements	2,378	-	(4,705)	-	(2,327)
Additions	4,503	3,592	486	-	8,581
Derecognition - disposals	(654)	(5,485)	-	-	(6,138)
Derecognition - other	-	-	-	-	-
Net revaluation gains/losses recognised in the CIES	(4,616)	-	-	-	(4,616)
Net revaluation gains/losses recognised in the Revaluation reserve	-	-	-	-	-
Balance at 31.3.13	**61,788**	**31,779**	**515**	**-**	**94,082**
Depreciation and impairments					
Balance at 1.4.12	2,407	22,132	-	-	24,539
Restatements	(108)	-	-	-	(108)
Derecognition - disposals	(527)	(1,912)	-	-	(2,439)
Derecognition - other					
Depreciation for the year	1,940	2,025	-	-	3,965
Balance at 31.3.13	**3,712**	**22,245**	**-**	**-**	**25,957**
Net book value at 31.3.12	57,771	11,540	4,733	-	74,044
Net book value at 31.3.13	**58,076**	**9,534**	**515**	**-**	**68,125**

	Software Licences £000
Purchased intangible assets	
Historic cost or revaluation	
Balance at 1.4.12	2,217
Additions	918
Derecognition - disposals	(13)
Balance at 31.3.13	**3,122**
Amortisation	
Balance at 1.4.12	834
Amortisation for the year	179
Derecognition - disposals	(3)
Balance at 31.3.13	**1,011**
Net book value at 31.3.12	1,383
Net book value at 31.3.13	**2,112**

Movements in 2011-12	Land and buildings £000	Vehicles plant and equipment £000	Assets under con- -struction £000	Land awaiting evelopment £000	Total £000
<u>Property, Plant & Equipment</u>					
Historic cost or revaluation					
Balance at 1.4.11	37,541	33,987	5,306	-	76,834
Restatements	3,398	(46)	(3,398)	-	(46)
Additions	26,133	3,309	2,695	-	32,137
Derecognition - disposals	(125)	(3,578)	-	-	(3,703)
Derecognition - other	-	-	-	-	-
Net revaluation gains/losses recognised in the CIES	(6,769)	-	62	-	(6,707)
Net revaluation gains/losses recognised in the					-
Revaluation Reserve	-	-	68	-	68
Balance at 31.3.12	**60,178**	**33,672**	**4,733**	**-**	**98,583**
Depreciation and impairments					
Balance at 1.4.11	781	23,111	-	-	23,892
Restatements	-	(25)	-	-	(25)
Derecognition - disposals	(8)	(3,517)	-	-	(3,525)
Derecognition - other					-
Depreciation for the year	1,634	2,563	-	-	4,197
Balance at 31.3.12	**2,407**	**22,132**	**-**	**-**	**24,539**
Net book value at 31.3.11	36,760	10,876	5,306	-	52,942
Net book value at 31.3.12	**57,771**	**11,540**	**4,733**	**-**	**74,044**

	Software Licences £000
<u>Purchased intangible assets</u>	
Historic cost or revaluation	
Balance at 1.4.11	1,300
Additions	872
Restatement	45
Balance at 31.3.12	**2,217**
Amortisation	
Balance at 1.4.11	650
Amortisation for the year	159
Restatement	25
Balance at 31.3.12	**834**
Net book value at 31.3.11	650
Net book value at 31.3.12	**1,383**

On 1 October 2012 the Suffolk helicopter was integrated into the National Police Air Service. It has been accounted for as a disposal, however it is being paid for over a fifteen year period.

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on major IT projects.

Included in land and buildings is land at Bury St Edmunds on which a Police Investigation Centre (PIC) has been built. Although the PCC has legal title to the land, it only owns 70% of the beneficial interest in the land, the remaining 30% is owned by Norfolk PCC, who are co-occupiers of the centre. Therefore only 70% of the current value of the land is included in the table above, amounting to £1.12m. The PCC also paid 50% of the cost of land purchased by Norfolk PCC at Great Yarmouth, the current value of this land in the balance sheet amounts to £330k net of impairment.

The depreciation and amortisation policy is set out on page 18. Assets have been depreciated on a straight-line basis over the following useful lives.

Plant, furniture and equipment – 4-20 years
Vehicles – 2-10 years

17. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2012/13 are set out below.

2011/12 £000		2012/13 £000
8,141	Opening capital financing requirement	35,627
	Capital investment	
872	Intangible fixed assets	918
29,442	Operational assets	8,095
2,695	Non operational assets	486
	Sources of finance	
(674)	Capital receipts	(2,208)
(2,036)	Government grants and other contributions	(1,749)
(2,812)	Revenue provision including MRP	(3,389)
35,628	**Closing capital financing requirement**	**37,780**
	Explanation of movements in year	
27,487	Increase/(decrease) in underlying need to borrow	2,153
27,487	**Increase/(decrease) in capital financing requirement**	**2,153**

18. Fixed Asset Valuation

Land and Buildings

The freehold and leasehold properties of the PCC's property portfolio are individually valued as part of a rolling 5 year programme. The valuations, which are carried out by the PCC's professional advisors, NPS Group who are property consultants, are in accordance with their appraisal and valuation manual. Their valuer is a qualified member of the Royal Institute of Chartered Surveyors (RICS).

In order to calculate buildings depreciation the valuers have provided separate valuations for the land and building elements of each property valuation. The valuers also provide an estimate of the remaining economic useful life of the assets. They are also asked to carry out an impairment assessment of the remaining properties on which no formal valuation was carried out in the year.

Plant and machinery which are part of the building or property (for example, central heating systems) have been included in valuations. This is in accordance with appendices to Practice Statements of the RICS appraisal valuation manual. Moveable plant, machinery, fixtures and fittings, which do not form part of the building, have been excluded from the valuations of land and buildings.

Non specialised operational properties were valued on the basis of existing use value (EUV). Specialised operational properties should also be valued on an EUV basis, or where this could not be assessed because there was no market for the subject asset, they were valued according to the depreciated replacement cost.

Vehicles, Plant and Equipment and Software Licences

Vehicles, plant and equipment and software licences are valued at depreciated historic cost as a proxy for depreciated replacement cost. The breakdown of current value by valuation basis at the year end is as follows:

	Other Land and buildings £000	Vehicles plant and equipment £000	Assets under con- -struction £000	Land awaiting development £000	Total £000
Carried at historical cost	2,427	9,534	515	-	12,476
Valued at fair value at:					
31 March 2012	19,329	-	-	-	19,329
31 March 2011	28,240	-	-	-	28,240
1 April 2010	4,210	-	-	-	4,210
1 October 2012	3,869				3,869
Balance at 31.3.13	**58,075**	**9,534**	**515**		**68,125**

19. Private Finance Initiative (PFI)

On 23 February 2010 Norfolk and Suffolk Police Authorities signed a 30 year PFI contract to construct and operate six Police Investigation Centres (PICs) within the two counties. Three of the PICs are shared, two between Norfolk and Suffolk and one between Norfolk and Cambridgeshire. In addition Norfolk operates a further two sites and Suffolk a further one. The land percentage splits on the Norfolk and Suffolk shared sites and the associated land values are disclosed in Note 16.

Norfolk and Suffolk PCCs are committed to making payments under the contract for the financial years 2010/11 to 2040/41. The actual payment split between the two counties will depend on site allocation and associated service delivery. The first PIC became operational on 28 February 2011 at Aylsham, Norfolk. The remaining PICs became operational in 2011/12.

Under the contract the PCC shares in the benefits and obligations arising from the contractual assets on a pre-determined percentage based on the number of cells assigned to each force. A summary of the sites, their initial contract capital values and the respective PCC interest in each site is shown in the table below:

Sites and opening dates	Norfolk Cells	Suffolk Cells	Capital Contract Value £000	Historic Cost in Suffolk 31.3.13 £000	Historic Cost in Suffolk 31.3.12 £000
Aylsham - 28.2.11	8	-	6,967	-	-
Wymondham - 4.4.11	30	-	11,398	-	-
Kings Lynn - 25.4.11	24	-	10,749	-	-
Ipswich - 6.6.11	-	30	12,012	12,012	12,012
Bury St Edmunds - 4.7.11	8	16	10,621	7,081	7,081
Gt Yarmouth - 7.11.11	15	15	12,680	6,340	6,340
	85	**61**	**64,427**	**25,433**	**25,433**

The PCC makes an agreed payment each year, which can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed, however 31.5% of the charge is increased annually by inflation (RPIX). Suffolk's share of the estimated payments remaining to be made under the PFI contract at 31 March 2013 (excluding availability/performance deductions) are as follows:

	Revenue Services £000	Capital Payments £000	Interest £000	Contingent Rent £000	Total £000
Payable in 2013/14	853	235	2,139	509	3,735
Payable within two to five years	4,339	1,162	8,334	1,454	15,289
Payable within six to ten years	6,967	2,111	9,759	1,127	19,964
Payable within eleven to fifteen years	8,907	3,189	8,680	251	21,027
Payable within sixteen to twenty years	9,631	4,818	7,051	728	22,229
Payable within twenty one to twenty five years	9,798	7,280	4,590	1,922	23,590
Payable within twenty six to thirty years	7,813	6,064	1,058	(54)	14,880
	48,308	**24,860**	**41,610**	**5,936**	**120,715**

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

The capital liability on the Suffolk PCC Balance Sheet at the year end up is made up as follows:

	2012/13 £000	2011/12 £000
Balance outstanding at the beginning of the year	25,077	-
Capital repayments during the year	(217)	(356)
Capital expenditure incurred in the year	-	25,433
Other movements	-	-
Balance outstanding at year end	**24,860**	**25,077**

The net book value of the assets capitalised as part of the PFI contract is made up as follows:

	2012/13 £000	2011/12 £000
Net book value at the beginning of the year	18,369	-
Original capital cost	-	25,433
Impairments during the year	-	(6,717)
Depreciation during the year	(574)	(347)
Net book value at the end of the year	**17,796**	**18,369**

20. Retirement Benefits

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 support staff, administered by Suffolk County Council - this is a funded defined benefit scheme, meaning that the PCC and employees pay contributions into a fund. PCC 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 1/80th to 1/60th, 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 12.25%-12.50% 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 10.1% - 10.75% 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. This can be found on Page 56. 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 (see page 44) 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 PCC'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 PCC 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		Total	
	2012/13	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost of Services						
Current service costs	4,341	4,336	21,398	20,940	25,739	25,276
Past service and other non distributed costs	166	263	64	10,260	230	10,523
	4,507	**4,599**	**21,462**	**31,200**	**25,969**	**35,799**
Financing and investment income and expenditure						
Interest costs	5,514	5,670	37,522	40,613	43,036	46,283
Expected return on assets	(5,275)	(6,063)	-	-	(5,275)	(6,063)
	239	**(393)**	**37,522**	**40,613**	**37,761**	**40,220**
Total post-employment benefit charged to the deficit on the provision of services	4,746	4,206	58,984	71,813	63,730	76,019
Other post employment benefit charged to the CIES						
Actuarial (gains) and losses	8,812	8,926	98,151	3,391	106,963	12,317
Total post employment benefit charged to the CIES	**13,558**	**13,132**	**157,135**	**75,204**	**170,693**	**88,336**
Movement in Reserves Statement (MIRS):						
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**(13,558)**	**(13,132)**	**(157,135)**	**(75,204)**	**(170,693)**	**(88,336)**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to the scheme	4,948	5,075	10,567	10,849	15,515	15,924
Injury pensions and other benefits paid			755	714	755	714
Contribution to Police Pension Fund	-	-	12,980	12,256	12,980	12,256
Net charge to the General Fund	**4,948**	**5,075**	**24,302**	**23,819**	**29,250**	**28,894**

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Police Pension Schemes		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
1 April	113,961	101,610	781,895	730,510	895,856	832,120
Current service cost	4,341	4,336	21,398	20,940	25,739	25,276
Interest cost	5,514	5,670	37,522	40,613	43,036	46,283
Contributions by scheme participants	1,519	1,578	5,160	4,821	6,679	6,399
Actuarial (gains) and losses	16,853	3,664	98,151	3,391	115,004	7,055
Benefits paid	(2,894)	(3,160)	(29,462)	(28,640)	(32,356)	(31,800)
Past service costs	-	-	63	10,260	63	10,260
Curtailments and Settlements	(699)	263	-	-	(699)	263
31 March	**138,595**	**113,961**	**914,727**	**781,895**	**1,053,322**	**895,856**

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2012/13 £000	2011/12 £000
1 April	93,083	88,789
Expected rate of return	5,275	6,063
Actuarial gains and (losses)	8,041	(5,262)
Curtailments and Settlements	(865)	-
Employer contributions	4,948	5,075
Contributions by scheme participants	1,519	1,578
Benefits paid	(2,894)	(3,160)
31 March	**109,107**	**93,083**

The total net pension liabilities of £944m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £891.5m (page 11). However, the financial position of the PCC remains sound as the liabilities will be spread over many years as follows:

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

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

The actual return on plan assets on the LGPS amounted to £13.3m in 2012/13. (2011/12 – (£0.8m))

Estimated employer's contributions for 2013/14 amount to £4.9m on the LGPS.

The payments expected to be made from the Police schemes to members or their dependents including, normal and ill health retirement pensions and lump sums and death benefits, net of expected employee contributions for 2013/14 amount to £24.3m.

The scheme history is broken down as follows

	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Present value of liabilities:					
Local Government Pension Scheme	(138,595)	(113,961)	(101,610)	(125,373)	(70,134)
Police Pension Schemes	(914,727)	(781,895)	(730,510)	(831,112)	(520,735)
	(1,053,322)	**(895,856)**	**(832,120)**	**(956,485)**	**(590,869)**
Fair value of assets:					
Local Government Pension Scheme	109,107	93,083	88,789	76,255	53,699
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(29,488)	(20,878)	(12,821)	(49,118)	(16,435)
Police Pension Schemes	(914,727)	(781,895)	(730,510)	(831,112)	(520,735)
Total Net liabilities	**(944,215)**	**(802,773)**	**(743,331)**	**(880,230)**	**(537,170)**

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	
	2012/13	2011/12	2012/13	2011/12
Long term expected rate of return on assets in the scheme:				
Equity investments	4.5%	6.3%		
Bonds	4.5%	3.3%		
Property	4.5%	4.4%		
Cash	4.5%	3.5%		
Mortality assumptions:				
Longevity at 65 (LGPS) and 60 (PPS) for current pensioners				
Men	21.4	21.4	28.1	27.9
Women	23.3	23.3	31.0	30.8
Longevity at 65 (LGPS) and 60 (PPS) for future pensioners				
Men	23.7	23.7	29.7	29.5
Women	25.7	25.7	32.5	32.3
Rate of inflation (CPI - LGPS and RPI - PPS)	2.8%	2.5%	3.6%	3.3%
Rate of increases in salaries	5.1%	4.8%	3.8%	3.5%
Rate of increase in pensions	2.8%	2.5%	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%	4.5%	4.8%
Take up of option to convert annual pension into retirement lump sum (Post Apr-08 only in LGPS)	63.0%	63.0%	90.0%	90.0%

The last full actuarial valuation of the Suffolk County Council Pension fund was at 31 March 2010 when the deficit of the Suffolk PCC portion of the Fund was assessed at £9.13m, a funding level of 90% of liabilities. The main adverse factors influencing the deficit are changes in demographic assumptions, but the full effect of these is offset by investment gains. The Employer Contribution rate is set at a level to clear the deficit in the long-term. The next full valuation will be 31 March 2013 and any changes arising from this valuation will be implemented on 1 April 2014.

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

The Police Pension Schemes have no assets to cover its liabilities. The PCC'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:

	Proportion of assets	
	31 March 2013 %	**31 March 2012 %**
Equity investments	65.0%	72.0%
Bonds	23.0%	15.0%
Property	9.0%	10.0%
Cash	3.0%	3.0%
Total	**100.0%**	**100.0%**

Movements on IAS 19 Pension Reserve

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2012/13 %	**2011/12 %**	**2010/11 %**	**2009/10 %**	**2008/09 %**
Police Pension Schemes					
Experience gains and (losses) on liabilities	(0.3%)	3.7%	1.2%	(5.6%)	1.4%
Local Government Pension Scheme					
Difference between the expected and actual return on assets	7.4%	(5.6%)	3.1%	19.4%	(37.8%)
Experience gains and losses on liabilities	0.1%	(1.0%)	8.4%	0.0%	0.0%

At the balance sheet date cumulative actuarial losses amounted to £284.7m on the Police Schemes and £4.3m on the LGPS.

21. Short-Term Investments

Surplus cash is invested for periods of up to one year in accordance with the approved treasury management policy. At 31 March 2013 temporary lending was comprised:

	31 March 2013 £000	31 March 2012 £000 Restated
Money market and temporary cash deposits		
Banks	2,001	5,010
Building societies	5,001	-
Total temporary lending	**7,002**	**5,010**
Represented by:		
Cash and cash equivalents	4,001	3,002
Short term investments	3,001	2,008

The 2011/12 restatement in due to the reclassification of balances amounting to £3.0m as cash and cash equivalents rather than short term investments.

22. Inventories

	Consumable Stores 2012/13 £000	2011/12 £000
General Stock		
Balance at 1 April	205	166
Purchases	195	193
Recognised as an expense during the year	(221)	(154)
	179	205
Fuel Stock	55	70
Other sundry stocks	12	15
Balance at 31 March	**246**	**290**

23. Debtors and Prepayments

	2012/13 £000	2011/12 £000 Restated
Short term debtors:		
Central government bodies (includes pension top up grant)	2,552	7,362
Other local authorities	722	570
NHS Bodies	3	30
Other entities and individuals	1,716	1,594
Prepayments	2,828	3,036
Balance at 31 March	**7,821**	**12,592**
Long term debtors:		
Other local authorities	**1,940**	**-**

£1.23m has been restated in 2011/12 as other entities and individuals rather than central government bodies, this is due to the reclassification of council tax balances.

Long term debtors of £1.94m (2011/12 - £nil) relate to an amount due from West Yorkshire Police in respect of the airframe transferred to NPAS.

24. Cash and Cash Equivalents

	2012/13 £000	2011/12 £000 Restated
Imprest accounts	50	50
Bank current accounts	726	(417)
Instant access deposits with banks	8,062	11,621
Deposit with a maturtity date less than 3 months from acquisition	4,001	3,002
Balance at 31 March	**12,839**	**14,255**

25. Assets Held for Sale

	Current		Non-current	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Balance at 1 April	1,372	1,466	-	-
Assets newly classified as held for sale:				
Property, plant and equipment	2,219	-	-	-
Assets sold	(1,372)	(94)		
Balance at 31 March	**2,219**	**1,372**	**-**	**-**

26. Creditors

	2012/13 £000	2011/12 £000
Short term creditors:		
Central government bodies	2,982	2,233
Other local authorities	1,085	4,310
NHS Bodies	10	47
Public corporations and trading funds	4	2
Other entities and individuals	5,576	5,947
Balance at 31 March	**9,657**	**12,539**

27. Contingent Liabilities

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.

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.

28. Provisions

The balance on the insurance claims provision represents the PCC's estimated liability in respect of third party, employer's liability and public liability risks, which are not covered by external insurance, where a payment is certain to be made, but the timing and amount of the payment are uncertain. The liabilities covered are the subject of claims made on the PCC and settlement is likely to be spread over several years.

The balance in the provision is re-assessed each year to take account of the latest estimate of claims and costs. Any excess in the provision is transferred to the revenue account, and any deficit would be made good by a transfer from revenue. The reserve is provided to meet any other uncertain claims that may arise. There are no amounts in respect of the liabilities covered by the insurance claims provision that are expected to be subject to reimbursement from third parties.

A provision has been made for exit packages to which the PCC is demonstrably committed to at 31 March 2013.

	Balance 1 April 2012 £000	Provision in year £000	Paid in year £000	Balance 31 March 2013 £000
Insurance claims	533	340	(288)	585
Exit packages	-	37	-	37
Total	**533**	**376**	**(288)**	**622**

29. Leases

All significant leases have been assessed to identify the lease category.

Operating Leases:

The principal operating lease commitments relate to property leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013 £000	31 March 2012 £000
Not later than one year	197	224
later than one year but not later than five years	285	332
later than five years	166	220
	648	**776**

The amount charged to the service lines in respect of operating leases amount to:

	2012/13 £000	2011/12 £000
Minimum lease payments	304	361
Contingent rents	19	4
	323	**365**

Finance Leases

During the year the PCC replaced the majority of its printers, photocopiers and fax machines with multi-functional devices. These were assessed as finance leases for accounting purposes. The repayment in the year of the finance lease capital liability is reflected by a Minimum Revenue Provision Charge to the General Fund. The lease agreements do not include contingent rent and liabilities fall due as follows:

	Capital Liabilities £000	Finance Cost £000	Contingent Rent £001	Total £000
Payable in 2013/14	61	30	-	91
Payable within two to five years	227	44	-	271
Minimum Lease Payments	**288**	**74**	-	**362**

The carrying value of assets held under finance leases are as follows:

	2012/13 £000	2011/12 £000
Vehicles, plant, furniture and equipment	287	-
Other land and buildings	-	-
Net book value at the end of the year	**287**	

30. Usable Reserves

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

31. Earmarked Reserves

The movements in earmarked reserves in 2012/13 are analysed as follows:

	Note	Balance 1 April 2012 £000	Received £000	Applied £000	Balance 31 March 2013 £000
Revenue reserves:					
Constabulary carry forward reserve	**(a)**	337	-	(226)	111
Ill health/injury benefits reserve	**(b)**	834	71	-	905
Insurance reserve	**(c)**	250	-	-	250
Major crime reserve	**(d)**	1,192	-	-	1,192
Budget reserve	**(e)**	1,973	-	-	1,973
Partnership reserve	**(f)**	247	-	(69)	178
Corporate reserve	**(g)**	275	-	(225)	50
Capital Financing Reserve	**(h)**	2,670	-	(1,205)	1,465
Safety Camera Reserve	**(i)**	722	-	(189)	532
Change Reserve	**(j)**	2,855	-	(80)	2,775
Council Tax Reform	**(k)**	-	27	-	27
PCC Police & Crime Plan reserve	**(l)**	-	75	-	75
Total		**11,354**	**173**	**(1,994)**	**9,533**

(a) Constabulary Carry Forward Reserve
The budget management policy provides for planned net under/over spendings on the operational revenue budget to be carried forward to the new financial year. Savings can be used in future years and any deficits must be met from the budget for the following year.

(b) Ill Health/Injury Benefits Reserve
This reserve exists to meet unexpected liabilities arising from injury and ill-health retirements.

(c) Insurance Reserve
The purpose of the reserve is to meet uninsured losses in excess of the amount set aside in the Insurance Provision.

(d) Major Crime Reserve
A reserve equivalent to 1% of net revenue expenditure was set in 2008/09 to provide capacity to meet the costs of major incidents/crime up to the level when Government financial support would be available.

(e) Budget Reserve
This reserve is used to pump-prime those initiatives which will produce cost reductions over the next three or four years.

(f) Partnership Reserve
The balance on this reserve represents funds received from partners for specific initiatives. The funds will be used in the new year.

(g) Corporate Reserve
The uncommitted reserve is made up of prior years' underspends against the approved annual budget.

(h) Capital Financing Reserve – earmarked for capital expenditure
Any balance on this reserve is committed to financing part of the capital programme.

(i) Safety Camera Reserve
This reserve has been established to underwrite costs that may be incurred by the PCC as a result of it taking over operational management of the Safety Camera Partnership from Suffolk County Council.

(j) Change Reserve
This reserve was established to meet the one-off costs of change to the Constabulary necessary to deliver the permanent savings required as a result of government funding reductions.

(k) Council Tax Reform
This reserve was established to meet the administration costs associated with the localisation of council tax benefit.

(l) PCC Police & Crime Plan

This reserve has been created to cover the cost of one off initiatives which will contribute to delivering the PCC's Police and Crime Plan objectives in 2013/14.

32. Unusable Reserves

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

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensating absences earned but not taken in the year, e.g. annual leave entitlement. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to and from the account.

The Revaluation Reserve shows the net accumulated unrealised gains on fixed assets arising from increases in value, as a result of inflation or other factors. The reserve is debited to reflect: the revaluation element of the depreciation charge, revaluation losses or impairments against previous revaluation gains and when assets with accumulated revaluation gains are disposed of. Any balance remaining in the reserve, relating to an asset that has been disposed of, is removed from the reserve by way of a transfer to the capital adjustment account.

The Capital adjustment account accumulates the resources that have been set aside to finance capital expenditure. The consumption of the historical cost by way of depreciation, impairment and disposal is removed from the account throughout the assets useful life. The balance on this account therefore represents timing differences between financing and consumption of fixed assets.

Movements in unusable reserves are summarised in the Movement in Reserves Statement and are shown in detail below:

Year Ended 31 March 2013	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Deferred Capital Receipts £000	Compens' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2012	**(802,773)**	**5,188**	**35,983**	**99**	**-**	**(1,522)**	**(763,025)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	**-**
Other comprehensive income and expenditure	(106,963)	-	-	-	-	-	**(106,963)**
Total comprehensive income and expenditure	**(106,963)**	**-**	**-**	**-**	**-**	**-**	**(106,963)**
Amortisation of intangible assets	-	-	(179)	-	-	-	**(179)**
Depreciation on property, plant and equipment	-	(112)	(3,853)	-	-	-	**(3,965)**
Revaluation losses on property, plant and equipment	-	-	(4,616)	-	-	-	**(4,616)**
Capital grants and contributions credited to the CIES	-	-	1,683	-	-	-	**1,683**
Application of capital grants from unapplied account	-	-	66	-	-	-	**66**
Net gain or loss on the sale of non-current assets	-	(27)	(5,054)	-	2,237	-	**(2,844)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(297)	-	**(297)**
Difference between IAS 19 pension costs and those	-	-	-	-	-	-	
calculated in accordance with statutory requirements	(47,460)	-	-	-	-	-	**(47,460)**
Movement on the collection fund adjustment account	-	-	-	(8)	-	-	**(8)**
Capital expenditure charged to the General Fund Balance	-	-	2,983	-	-	-	**2,983**
Statutory provision for the repayment of debt	-	-	407	-	-	-	**407**
Contribution to the Police Pension Fund	12,980	-	-	-	-	-	**12,980**
Movement on the Compensated Absences Account	-	-	-	-	-	(292)	**(292)**
Use of capital receipts to fund asset purchases	-	-	2,208	-	-	-	**2,208**
Adjustments between accounting basis and funding basis under regulations	**(34,480)**	**(139)**	**(6,357)**	**(8)**	**1,940**	**(292)**	**(39,336)**
Net increase / decrease before transfers to Earmarked Reserves	**(141,443)**	**(139)**	**(6,357)**	**(8)**	**1,940**	**(292)**	**(146,299)**
Transfers to / from earmarked reserves	-	-	-	-	-	-	**-**
Increase / decrease in year	**(141,443)**	**(139)**	**(6,357)**	**(8)**	**1,940**	**(292)**	**(146,299)**
Balance at 31 March 2013	**(944,215)**	**5,049**	**29,626**	**91**	**1,940**	**(1,814)**	**(909,324)**

Year Ended 31 March 2012	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Deferred Capital Receipts £000	Compens' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2011	**(743,331)**	**5,250**	**41,666**	**261**	**-**	**(2,461)**	**(698,615)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	**-**
Other comprehensive income and expenditure	(12,317)	68	-	-	-	-	**(12,249)**
Total comprehensive income and expenditure	**(12,317)**	**68**	**-**	**-**	**-**	**-**	**(12,249)**
Amortisation of intangible assets	-	-	(159)	-	-	-	**(159)**
Depreciation on property, plant and equipment	-	(112)	(4,085)	-	-	-	**(4,197)**
Revaluation losses on property, plant and equipment	-	-	(6,707)	-	-	-	**(6,707)**
Capital grants and contributions credited to the CIES	-	-	2,036	-	-	-	**2,036**
Net gain or loss on the sale of non-current assets	-	(19)	(253)	-	-	-	**(272)**
Difference between IAS 19 pension costs and those	-	-	-	-	-	-	
calculated in accordance with statutory requirements	(59,381)	-	-	-	-	-	**(59,381)**
Movement on the collection fund adjustment account	-	-	-	(162)	-	-	**(162)**
Capital expenditure charged to the General Fund Balance	-	-	2,151	-	-	-	**2,151**
Statutory provision for the repayment of debt	-	-	661	-	-	-	**661**
Contribution to the Police Pension Fund	12,256	-	-	-	-	-	**12,256**
Movement on the Compensated Absences Account	-	-	-	-	-	938	**938**
Transfers to / from non earmarked reserves	-	-	674	-	-	-	**674**
Adjustments between accounting basis and funding basis under regulations	**(47,125)**	**(131)**	**(5,683)**	**(162)**	**-**	**938**	**(52,163)**
Net increase / decrease before transfers to Earmarked Reserves	**(59,442)**	**(62)**	**(5,683)**	**(162)**	**-**	**939**	**(64,410)**
Transfers to / from earmarked reserves	-	-	-	-	-	-	**-**
Increase / decrease in year	**(59,442)**	**(62)**	**(5,683)**	**(162)**	**-**	**939**	**(64,410)**
Balance at 31 March 2012	**(802,773)**	**5,188**	**35,983**	**99**	**-**	**(1,522)**	**(763,025)**

33. Movements in Cash

1 April 2011 £000	31 March 2012 £000 Restated		1 April 2012 £000	31 March 2013 £000
6,043	14,255	Cash and cash equivalents	14,255	12,839
6,043	14,255	Cash inflows	14,255	12,839
	8,212	**Increase / (decrease) in cash and cash equivalents**		**(1,416)**

34. Cash Flow Statement –Investing and Financing Activities

2011/12 £000 Restated		2012/13 £000
	Cash Flow Statement - Investing Activities	
5,328	Purchase of non current assets	11,631
	Other payments for investing activities	
49,000	Purchase of short-term or long term investments	10,000
(706)	Proceeds from the sale of non currents assets	(4,181)
(60,000)	Proceeds from short-term or long-term investments	(9,000)
(1,652)	Other receipts from investing activities	(1,329)
(8,030)	**Cash outflow**	**7,121**
	Cash Flow Statement - Financing Activities	
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activiities	-
356	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	281
228	Repayments of short and long-term borrowing	238
584	**Cash outflow**	**518**

35. Reconciliation of Revenue Cash Flow

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
		Adjustment for non cash or cash equivalent items within deficit on provision of services:		
11,064		Depreciation and impairments		8,761
(433)		Profit and loss on disposal of fixed assets		901
47,125		Movements on pension liability		34,480
-		Other		-
57,756				44,142
	(819)	Increase/(decrease) in revenue creditors	(401)	
	(4,594)	decrease/(increase) in revenue debtors	2,837	
	(81)	decrease/(increase) in stocks	45	
	67	Increase/(decrease) in revenue provisions	89	
	-	Increase/(decrease) in grants received in advance	-	
(5,426)				2,569
52,330				**46,711**
		The cash flows for operating activities include:		
2,363		Interest paid and similar charges		3,120
348		Interest received		(160)

36. Financial Instruments

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

	Current		Long Term	
	31.3.13	31.3.12	31.3.13	31.3.12
	£000	£000	£000	£000
Investments				
Loans and receivables	7,003	5,010	-	-
	7,003	**5,010**	-	**-**
Debtors				
Balances per Balance Sheet	7,821	12,592	1,940	-
Balances relating to Council Tax	(1,287)	(1,251)	-	-
Prepayments	(2,828)	(3,036)	-	-
Loans and receivables	**3,706**	**8,305**	**1,940**	**-**
Borrowings				
Financial borrowings at amortised cost	-	-	9,595	9,836
Financial liabilities at fair value	-	-	-	-
	-	**-**	**9,595**	**9,836**
Other long term liabilities				
PFI and finance lease liabilities	-	-	25,148	25,077
	-	**-**	**25,148**	**25,077**
Creditors				
Balances per Balance Sheet	9,657	12,539	602	959
Balances relating to Council Tax	(1,196)	(1,152)	-	0
Financial liabilities at amortised cost	8,461	11,387	602	959
Financial liabilities carried at contract amount	-	-	-	-
	8,461	**11,387**	**602**	**959**

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

	2012/13			2011/12		
	Financial Liabilities at amortised cost	Loans and receivables	Total	Financial Liabilities at amortised cost	Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Expense						
Interest expense	2,614	-	2,614	1,957	-	1,957
Fee expense	-	-	-	-	-	-
Contingent rent on PFI	503	-	503	401	-	401
Total in Surplus or Deficit on the Provision of Services	3,117	-	3,117	2,358	-	2,358
Income						
Interest income	-	(194)	(194)	-	(276)	(276)
Total in Surplus or Deficit on the Provision of Services	**3,117**	**(194)**	**2,923**	**2,358**	**(276)**	**2,082**

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- For PWLB loans, the cash flows are discounted using the premature repayment rates applicable at the year end for equivalent loans.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of financial instruments that differ from the carrying amount are summarised below:

	31 March 2013		31 March 2012	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial liabilities				
PWLB loan	9,595	12,146	9,836	10,679
	9,595	**12,146**	**9,836**	**10,679**

The fair value of the liabilities in 2012/13 is higher than the carrying amount because the rate payable for the PWLB loan is higher than the prevailing rate at the balance sheet date.

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

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

The PCC's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the PCC in the annual "Investment and Borrowing Strategy". The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers. Deposits are not made with banks, financial institutions and other local authorities unless they are rated P1 by Moody's. The PCC has a policy not to lend any more than £5m to any individual financial institution or authority, however increases in temporary lending limits are occasionally authorised for specific banks or institutions.

The PCC's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all the PCC's deposits, but there was no evidence at 31 March 2013 that this was likely to crystallise. Deposit protection arrangements will also limit any losses that might arise.

The following analysis summarises the PCC's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectible debts over the past five financial years, adjusted to reflect current market conditions.

	Amount at 31.3.13 £000	Historical experience of default %	Adjusted for market conditions %	Estimated exposure to default £000
Customers	842	0.1%	0.1%	1
	842			**1**

No credit limits were exceeded during the reporting period and the PCC does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Of the £842k outstanding from customers £842k is past its due date for payment at the year-end, this is because the credit terms are set at immediate payment. The past due amount can be analysed by age as follows:

	Amount Due 31.3.13 £000	Amount Due 31.3.12 £000
Less than three months	779	675
Three to six months	10	4
Six months to one year	5	11
More than one year	48	44
	842	**734**

Liquidity risk
Cash flow is monitored daily to ensure that sufficient cash is available as needed. If unexpected movements happen the PCC has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). There is no significant risk that it will be unable to raise finance to meet it commitments. The PCC has one loan with the PWLB that was taken out for £10m in 2010/11, it is being paid off in half year instalments. The loan is due to mature in 2035/36. All trade and other payables are due to be paid in less than one year.

Market risk – interest risk
The PCC has no significant exposure to market risk from investments. Investments are normally by way of term deposits placed at a fixed rate for a fixed period, therefore there is a risk that the market rate can change, which would lead to an impact on the fair value of the investment. However investments are mostly placed for periods not exceeding three months, therefore the exposure to market risk is regarded as negligible.

A loan with the PWLB was taken out during May 2010 for £10m, the PCC has mitigated its exposure to market risk in regards to interest expense by fixing the interest rate payable for the duration of the loan. The risk is therefore shifted to the risk on the movement of fair value that would arise when prevailing rates differ from the contract rate payable. However borrowings are not carried at fair value, so nominal gains or losses on fixed rate borrowings do not impact on the CIES.

A 1% increase in interest rates would only have a material effect on the fair value of borrowings. It would reduce the liability by £831k. A 1% decrease would have a reversed impact ,and would increase the fair value of the borrowings by £955k. The increase in income receivable would be minimal.

Market risk – price risk
The PCC does not invest in equity shares and therefore has no exposure to price risk.

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

37. Collaborative Arrangements

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 2013 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
2012/13				
Suffolk Police Authority	5,365	6,671	8,899	20,935
Norfolk Police Authority	6,968	8,664	11,559	27,191
Cambridgeshire Police Authority	-	-	-	-
Total shared running costs	**12,333**	**15,335**	**20,458**	**48,126**
2011/12				
Suffolk Police Authority	1,503	2,618	4,684	8,804
Norfolk Police Authority	1,952	3,400	6,083	11,435
Cambridgeshire Police Authority	-	-	-	-
Total shared running costs	**3,455**	**6,018**	**10,767**	**20,240**

West Yorkshire Police is the lead force for the National Police Air Service (NPAS). During the year 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 £402k was payable to West Yorkshire PCC in respect of the NPAS service provided.

At 31 March 2013 West Yorkshire PCC owed Suffolk PCC £1.94m is 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), Hertfordshire act as the lead PCC. 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 five distinct units, four of which Suffolk collaborate on; ERSOU, which covers 5 forces; The Northern Region Investigation Team (NRIT), which covers three forces, The Regional Asset Recovery Team (RART) and The Regional Intelligence Unit (RIU) which covers all six regional forces. The net expenditure incurred by each force is as follows:

	RART 2012/13 £000	SRIT 2012/13 £000	NRIT 2012/13 £000	ERSOU 2012/13 £000	ERIU 2012/13 £000	Total 2012/13 £000	Total 2011/12 £000
Operating costs	916	1,578	1,577	1,695	1,563	7,329	7,005
Specific Home Office grant	(916)	-	-	-	(608)	(1,524)	(1,535)
Other income	-	-	-	-	(22)	(22)	-
Net expenditure	-	1,578	1,577	1,695	933	5,783	5,470
Contributions from forces:							
Bedfordshire	-	(710)	-	(273)	(99)	(1,082)	(1,020)
Cambridgeshire	-	-	(522)	(318)	(161)	(1,001)	(914)
Essex	-	-	-	-	(251)	(251)	(216)
Hertfordshire	-	(868)	-	(460)	(176)	(1,504)	(1,440)
Norfolk	-	-	(596)	(364)	(140)	(1,100)	(1,041)
Suffolk	-	-	(459)	(280)	(107)	(846)	(803)
Deficit/ (Surplus) for the year	-	-	-	-	(1)	(1)	36
Deficit/ (Surplus) b/fwd						(74)	(121)
Opening adjustment						72	-
Applied to training accounts						-	11
Deficit/ (Surplus) c/fwd						(3)	(74)

38. 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 24 September 2013. No adjusting events have occurred that require restatement of the Statement of Accounts.

At the balance sheet date certain property assets met the criteria as assets held for sale (see note 25). A decision was taken after the year end to remove certain properties from the market in order to make changes that should help to increase potential sale proceeds. These properties should be remarketed during 2013/14. The carrying value of these properties amount to £1.2m.

39. Trust Funds

The balance sheet excludes the trust funds below which have been audited, as at 28 February 2013, under separate arrangements. The balance on these funds at 28 February 2013 amounted to £31k analysed as follows:

	Income £000	Expend--iture £000	Assets £000	Liabilities £000	Reserves £000
Year ended 28 February 2013					
Police Property Act Fund	18	27	2	-	2
Drug squad equipment fund	13	8	29	-	29

Police Property Act Fund. The Police (Disposal of Property) Regulations 1975 and the Police (Property) Regulations 1997 apply to property either in possession of the police following an order under section 43 of the Powers of Criminal Courts Act 1973 or in other circumstances where the owner has not been established. The regulations require that the property is disposed of by sale, destruction, donation or retaining for police purposes. Usually the property is sold at public auction and the proceeds paid into the Police Property Act Fund. The fund is used to make donations to charities or bodies of a broadly charitable nature. Most of the fund's resources are administered through the Safer Suffolk Foundation enabling a consistent evaluation of applications and monitoring of usage.

Drug Squad Equipment Fund. The Misuse of Drugs Act 1971 and the Powers of Criminal Courts Act 1973, empowered police authorities to keep drugs money seized from raids, once a formal forfeiture order was issued by the court. This money has been paid into the drug squad equipment fund. New regulations, (the Proceeds of Crime Act) have resulted in a reduction of income to this fund.

The PCC is the sole trustee of these funds.

40. Heritage Assets

FRS 30 requires Authorities to disclose Heritage Assets as a separate class of asset. The only assets that the PCC holds that meet the description as a Heritage Asset are local policing memorabilia displayed at Police Headquarters, details of which are kept in a separate inventory. The PCC does not hold cost or valuation information for these items and the cost of obtaining the information outweighs the benefits to the users of these financial statements. The displays are not significant, either physically or in monetary value (less than £50k), therefore the assets have not been included in the PCC Balance Sheet.

41. Capital Commitments

Significant commitments under capital contracts as at 31 March 2013 are analysed as follows:

2011/12 £000		**2012/13 £000**
172	STORM - a new command and control system	73
825	Athena - a new crime amangement and case preparation system	874
-	Fixed Safety Camera Replacement	100
997	**Total committed**	**1,047**

42. Prior Period Adjustments

Term deposits held at 31 March 2012 and amounting to £3m have been reclassified as cash and cash equivalents rather than short term investments in accordance with the associated accounting policy. The impact on the primary financial statements are shown in the table below.

	As per published accounts 2011/12 £000	**Restatement of short term investments £000**	**Restated values £000**
Balance Sheet			
Short tern investments	5,010	(3,002)	2,008
Cash and cash equivalents	11,253	3,002	14,255
Impact on Net Current Assets	-	-	-

Police Pension Fund Accounting Statements

Fund Account

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
		Contributions receivable		
		Employer		
	10,767	Normal	10,385	
	82	Early retirements	182	
		Other - 30+ payments	-	
10,849				10,567
		Members		
	4,821	Normal	5,160	
4,821				5,160
		Transfers in		
	138	Individual transfers in from other schemes	203	
	-	Other	-	
138				203
		Benefits payable		
	(20,799)	Pensions	(22,544)	
	(6,840)	Commutations and lump sum retirement benefits	(5,789)	
	(205)	Lump sum death benefits	(285)	
	-	Other	-	
(27,843)				(28,618)
		Payments to and on account of leavers		
	(2)	Refunds on contributions	(23)	
	(218)	Individual transfers out to other schemes	(269)	
	-	Other	-	
(220)				(292)
(12,256)		**Net amount receivable for the year before contribution from the Police General Fund**		**(12,980)**
12,256		**Contribution from the Police General Fund**		**12,980**
-		**Net balance receivable for the year**		**-**

Net Assets and Liabilities

	2011/12 £000	2012/13 £000
Net current assets		
Net balance receivable from the Police General Fund	-	-
	-	-

Details regarding the fund's operations and policies are detailed within Note 20 to the Financial Statements and in Accounting Policy (f) in Note 1.

The fund's accounting statements do not take account of liabilities to pay pensions and other benefits after the period end.

Glossary of terms

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

Accruals basis

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

Actual return on plan assets

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

Actuarial gains and losses

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

a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or
b) the actuarial assumptions have changed.

Capital expenditure

Expenditure on the acquisition of a fixed asset; or expenditure which adds to – rather than merely maintains – the value of an existing fixed asset.

Capital Receipt

Income derived from the sale or disposal of a fixed asset.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Contingent liability

A contingent liability is either:

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

Corporate and democratic core

The corporate and democratic core comprises all activities that local authorities undertake specifically because they are elected authorities. The costs of these activities are thus over and above those that would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Defined benefit scheme

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

Defined contribution scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Emoluments

All sums paid to or receivable by an employee; sums due as expenses allowances (as far as these are subject to UK income tax); and the money value of any other benefits received other than in cash. An employee's pension contributions are deducted from emoluments.

Fixed assets

Tangible and intangible assets that yield benefits to the PCC and the services it provides for more than one year.

Government grants

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

Impairment

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

Intangible fixed assets

Intangible assets are non-financial fixed assets that do not have physical substance, but are identifiable and are controlled by the PCC through custody or legal rights.

Net book value

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

Net current replacement cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, meaning the cost of its replacement or of the nearest equivalent asset, after adjusting the price to reflect the current condition of the existing asset.

Net realisable value

The open-market value of the asset in its existing use (or open-market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Distributed Costs

Relates to the apportionment of certain pension costs including 'past service costs' 'settlements' and 'curtailments'.

Non-operational assets

Fixed assets held by the PCC but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational assets

Fixed assets held and occupied, used or consumed by the PCC in the direct delivery of services for which it has a statutory or discretionary responsibility.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

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

b) the accrued benefits for members in service on the valuation date.

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

Precept

The proportion of the budget raised from council tax.

Provision

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

PWLB

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

Related parties

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

(a) one party has direct or indirect control of the other party; or

(b) the parties are subject to common control from the same source; or

(c) one party has influence over the financial and operational policies of the other party so that the other party might not always feel free to pursue its own separate interests; or

(d) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Retirement Benefits

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

Scheme Liabilities

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

Settlement

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

a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;

b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and

c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

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

Useful life

The period over which the PCC will derive benefits from the use of a fixed asset.

Vested Rights

In relation to a defined benefit scheme, these are:

a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;

b) for deferred pensioners, their preserved benefits;

c) for pensioners, pensions to which they are entitled.

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