



SUFFOLK
CONSTABULARY

**THE CHIEF CONSTABLE OF SUFFOLK
CONSTABULARY
STATEMENT OF ACCOUNTS**

31 March 2016

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

www.suffolk.police.uk

**Statement of Accounts
for the year ended 31 March 2016**

Contents	page
Auditor's Report to the Chief Constable of Suffolk Constabulary	1
Statement of Responsibilities for the Statement of Accounts	3
Narrative Report	4
Financial Statements:	
Movement in Reserves Statement (MIRS)	12
Comprehensive Income and Expenditure Statement (CIES)	14
Balance Sheet	15
Cash Flow Statement	16
Notes to the Financial Statements	17
Police Pension Fund Accounting Statements	48
Glossary of Terms	49

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

Opinion on the Chief Constable of Suffolk Constabulary financial statements

We have audited the financial statements of the Chief Constable of Suffolk Constabulary for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement for the Chief Constable of Suffolk Constabulary;
- Comprehensive Income and Expenditure Statement for the Chief Constable of Suffolk Constabulary;
- Balance Sheet for the Chief Constable of Suffolk Constabulary;
- Cash Flow Statement for the Chief Constable of Suffolk Constabulary;
- the related notes 1 to 21; and
- Police Pension Fund Accounting Statements

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Chief Constable of Suffolk Constabulary in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Suffolk Constabulary, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 3, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Suffolk Constabulary'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 Chief Constable of Suffolk Constabulary Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Suffolk Constabulary as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in The Chief Constable of Suffolk Constabulary 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 if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Chief Constable of Suffolk Constabulary's responsibilities

The Chief Constable of Suffolk Constabulary 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.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable of Suffolk Constabulary has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Chief Constable of Suffolk Constabulary had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable of Suffolk Constabulary put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable of Suffolk Constabulary 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 issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Chief Constable of Suffolk Constabulary has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Suffolk Constabulary in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



Kevin Suter (senior statutory auditor)
For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
30 September 2016

Statement of Responsibilities for the Statement of Accounts

The Chief Constable of Suffolk Constabulary's Responsibilities

The Chief Constable must:

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

I approve the following Statement of Accounts:

G Wilson
Chief Constable of Suffolk Constabulary

23 September 2016

Chief Finance Officer of the Chief Constable (CFO CC) Responsibilities

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

In preparing this statement of accounts, the CFO CC has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the code of practice and its application to local authority accounting.

The CFO CC has also:

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

Certificate by the Chief Finance Officer of the Chief Constable of Suffolk Constabulary

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Chief Constable of Suffolk Constabulary at 31 March 2016, and its income and expenditure for the year to that date.

C Bland CPFA

23 September 2016

Chair of Audit Committee

These accounts were reviewed by the Audit Committee on behalf of the Chief Constable on 23 September 2016

D Rowe

23 September 2016

Narrative Report

Introduction

This Narrative Report provides information about Suffolk Constabulary, and the Chief Constable of Suffolk (CC), including the key issues affecting the CC accounts. It also provides a summary of the financial position at 31st March 2016, and is structured as below:

1. The policing context for Suffolk
2. Impact of the governance arrangements on the financial statements of the PCC and Chief Constable
3. Explanation of the financial statements
4. The 2015/16 revenue and capital budget process
5. Financial performance
6. Non-financial performance
7. Looking forward

1. The policing context for Suffolk

Information about the role of the Chief Constable for Suffolk

The Police Reform and Social Responsibility Act 2011 (the Act) changed the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace the Suffolk Police Authority (SPA) with a newly elected Police and Crime Commissioner for Suffolk (PCC). Both the PCC and the Chief Constable (CC) for Suffolk Constabulary (who is responsible for the operational policing of Suffolk), were established as separate legal entities. Corporate governance arrangements for the PCC and CC have been reviewed and a commentary on their effectiveness is set out in the joint Annual Governance Statement for the PCC and CC which is published alongside these Statements of Accounts.

The responsibilities of the CC, determined by the Police Reform and Social Responsibility Act 2011, include:

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

For accounting purposes, the PCC for Suffolk is the parent entity of the CC of Suffolk and together they form the PCC for Suffolk Group.

The County of Suffolk

Suffolk is a rural county of eastern England with a land area of 1,466 square miles. Located about 60 miles north east of London, it is bordered by Norfolk to the north, Cambridgeshire to the west and Essex to the south. The North Sea marks the eastern border of the county.

(See Figure 1 - Principal police stations are marked in blue).



Geography and infrastructure

Ipswich is the largest town and is the major economic, social and cultural hub of the county. Lowestoft, Bury St. Edmunds, Newmarket and Felixstowe also present specific policing needs related to the nature of their industries, such as tourism in Lowestoft, the horse racing industry in Newmarket and Britain's biggest and busiest seaport in Felixstowe.

The total population of Suffolk is 738,500, and has grown by 9.5% since 2002. The age profile in Suffolk is changing. In particular the number of older people is increasing rapidly, with an estimated 22.1% of the population aged 65 or more in mid-2014 (compared to 17.6% for England as a whole). The proportion of residents aged 65 and over is predicted to rise. In 2021, it is estimated 24.5% of Suffolk residents will be 65 and over (compared to 19.1% for England). This creates unique policing challenges in that whilst the elderly are less likely to be a victim of crime, the consequences are often far worse, making this a vulnerable group requiring enhanced commitment in respect of our reassurance and visibility.

The county's ethnic make-up is predominantly white British. Based on 2011 census data, 4.7% (34,968) of the population were from black or minority ethnic backgrounds, nearly double the percentage in 2001 (2.8% or 16,520). Ipswich is more multicultural with 11.1% of its residents from an ethnic group other than white, but the percentage is much lower in the remainder of the county. Babergh and Mid Suffolk have the lowest proportions at 2.2%. The Constabulary has responded to the changing nature of Suffolk's population by ensuring policies take account of equality and diversity.

Suffolk contains several sites of policing significance including: The Port of Felixstowe, British Telecom Research and Development facility, two US Air Force Bases and Sizewell B nuclear power station. The process to decommission Sizewell A is ongoing, whilst the agreement to develop Sizewell C will bring additional demands in terms of a temporary increase to the local population as well as the continuance of routine policing.

The transport infrastructure includes direct train routes to London from various stations in the county. The A14, A12 and A11 are key roads that require specialist roads policing to ensure key arterial routes continue to flow.

Although unemployment and worklessness rates in Suffolk are generally lower than nationally, wage rates are persistently lower. When broken down by industrial sector, Suffolk has a similar composition of employment to England and Wales. However, at Local Authority level there are some variations. The presence of the two largest US Air Force bases in the UK (Lakenheath and Mildenhall) in Forest Heath provide employment for many, as do the UK armed forces bases at Honnington, Wattisham and Woodbridge.

Ipswich Town Football Club also creates a policing demand met through the deployment of appropriately trained

officers and staff drawn from across the county for those matches which are assessed to require a police presence. A range of other events across the county also creates additional demands for service such as the Suffolk Show, the Latitude Music Festival and the Newmarket Races.

Suffolk has areas which are identified on the English Indices of Deprivation 2010 (ID 2010) which measure deprivation in seven main dimensions: income; employment; health and disability; education, skills and training; barriers to housing and services; crime; and living environment. Deprivation in much of Suffolk remains low. Over half of the county is ranked in the 40% least deprived in England. Only 7.7% of the county is classified among the 20% most deprived areas in the country, a slight increase on the position in 2007. All the areas of Suffolk ranked in the bottom quartile of national deprivation are within Ipswich and Lowestoft but there are pockets of higher deprivation in many towns including Mildenhall, Newmarket, Haverhill, Bury St. Edmunds, Sudbury, Stowmarket, Felixstowe and Beccles.

Rural deprivation is a particular issue in Suffolk, where pockets of deprivation are masked by areas of relative affluence, a situation which may serve to exclude people more. In 2011, The Suffolk Foundation commissioned a report 'Hidden Needs: hidden deprivation and community need in Suffolk' which identified ten pockets of rural deprivation which were amongst the 10% most deprived in the East of England (Fenton et al. 2011). The data in the Indices of Deprivation 2010 is now over five years old. Since 2010 government policies relating to the economy, benefits system and housing market in England will have produced changes in the distribution of deprivation in Suffolk that may not be reflected in the figures.

Strategic assessment and changing demand

The strategic assessment is an analysis of the short and medium term local and national policing contexts and a semi-quantitative assessment of operational threats within police business areas. Its principal purpose is to guide strategic planning, including the creation and prioritisation of projects, resources and budget setting. Crime is complex and threat assessments are common practice among law enforcement agencies across the world. Findings are best summarised in two portions: the policing context and the results of the threat assessment.

Context

- Crime is changing from traditional property crime to online facilitated crime and increased reporting of exploitation, violence and sexual abuse.
- While policing is not high on the national political agenda, scrutiny on the service remains intense, with particular focus on integrity, efficiency and effectiveness. The latter element is under critical examination in the national media with regard to historic sex abuse cases.

The following are the highest threat business areas for Suffolk Constabulary (not in order):

- Child Sexual Exploitation and Sexual Abuse;
- Domestic Abuse;
- Online Crime;
- Sexual Offending and management of Registered Sex Offenders;
- Violence and exploitation emanating from drugs markets;
- Vulnerable adults

The threat assessment analysis identified an increasingly complex picture of relationships between threats meaning that it is difficult to suggest standalone responses to each threat.

The Constabulary continues to focus on threat, harm and risk when receiving reports of crime and conducting investigations, with the implementation of Threat, Harm, Risk, Investigation, Vulnerable, Engagement (THRIVE) processes in the control room driving more effective assessment of calls for service. For instance the duration of 999 calls has increased from 2m 58s in July 2015 to 3m 36s in July 2016, indicating call handlers are obtaining more comprehensive information; the abandoned rate for 999 calls has dropped by almost one fifth year on year from 2.4% to 2%, indicating that priority call handling is being better protected; and the conversion rates for calls to Computer Aided Dispatches (CADs) has reduced from 36.8% to 34.6%, indicating more incidents are being resolved at point of contact.

In April 2016, Suffolk Constabulary also introduced the second phase of a new local policing model, using new processes for managing demand to ensure that resources are distributed appropriately and effectively, and with consideration for the changing complexities of crime. Key changes have included a new geographical team structure comprising three area based commands, nine locality teams (combining SNTs, volunteers and special

constables) and existing SNTs rearranged into 18 localities (from 29). In addition, a new Incident and Crime Management Hub ensures that non-urgent incidents can be assessed for most appropriate resolution and to allow desk-based investigation, including those undertaken by a new team of civilian investigators, some of whom will be dedicated to cyber-crime. Many of these processes are still embedding and although some initial demand process analysis has been undertaken, more robust evaluation will take place in due course.

Collaboration and partnership working

The changes within the organisation have been far reaching. Firstly, we have invested in the Eastern Region Special Operations Unit (ERSOU) to ensure we have a cost effective collaborative solution to deal with serious and organised crime that affects our communities in so many ways. Examples of their support have been in terms of investigating complex economic crime, and assisting in operations tackling the sale of heroin on the streets of our towns by dealers travelling in from London to Suffolk. We have been consistently complimented on our far reaching collaboration with Norfolk Constabulary both in terms of our financial savings, but most importantly in the effectiveness of that resource in the supply of support services such as HR, IT, Finance and Estates and also in the provision of Specialist Crime and Uniform Operational Support dealing with a range of activities from intelligence collection, analysis and dissemination, through to the investigation of murder and manslaughter. This collaboration has allowed us to make major savings from our budget whilst ensuring we protect our communities through provision of an effective and efficient resource.

Given the universal desire to invest in further service improvements and to be as efficient and effective as possible with finite budgets, the 7 Chief Constables and 7 Police and Crime Commissioners have initiated the Seven Force Strategic Collaboration Programme.

The Programme will develop business cases across a range of functional areas (excluding local policing). On a case by case basis the 7 Force Strategic Collaboration Programme will review policing capabilities to determine what can be delivered most efficiently and effectively through broader cross force collaboration. The business cases will be presented to the Chief Constables and PCCs for final decisions throughout the course of the Programme.

Partnerships

The PCC and Constabulary are involved in many partnership arrangements at a number of levels from Strategic Boards, such as the Health and Wellbeing Board, to operational working groups. These are all aimed at ensuring the PCC and Constabulary fulfils its statutory responsibilities for partnership working, as well as ensuring it continues to be effective and efficient by working together with partners and key stakeholders to ensure service delivery continues to be high quality.

Transformation Challenge Award (TCA)

In 2014, Suffolk was successful in securing £3.3m revenue funding from the Department for Communities and Local Government Transformation Challenge Award Fund (DCLG). This was one of the highest of the 73 awards made nationally. DCLG were impressed with the bid's focus of putting Suffolk residents at the heart of everything.

Suffolk's was a highly collaborative bid made by Suffolk Public Sector Leaders including all Suffolk councils, the Police and Crime Commissioner, the Constabulary and Clinical Commissioning Groups. It is focussed on long term transformation, with the shared aim to redefine the relationship with local people in order to deliver sustainable support with less resource. This includes a focus on joined up prevention and early help.

The award is being used to create a step change in the work and direction of travel for collaborative and integrated ways of working and Suffolk's public sector leaders commitment to:

- Doing what's right for Suffolk;
- Better outcomes with less money;
- A more integrated Suffolk System;
- More resilient people and communities.

To deliver these, a number of system-wide priorities were established: localism; growth; health care, and safety; intelligence, insight and digital; organisational development and medium term financial planning. Each of these has identified activity against system wide outcomes such as: a Strategic Planning and Infrastructure Framework; shared evidence and evaluation and joined up approaches to community based early intervention and prevention. As a key driver for their ambition, the system working that followed the TCA funding provides regular updates to Suffolk Public Sector Leaders.

2. Impact of the Governance Arrangements on the Financial Statements of the PCC and CC

The International Accounting Standards Board framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' economic benefits associated with the item will flow to or from the entity. At the outset the PCC took responsibility for the finances of the whole Group and controls the assets, liabilities and reserves, which were transferred from the former Police Authority. With the exception of the liabilities for employment and post-employment benefits this position has not changed and would suggest that these balances should be shown on the PCC's Balance Sheet.

The Scheme of Governance and Consent sets out the roles and responsibilities of the PCC and Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents all contracts and bank accounts are in the name of the PCC. No consent has been granted to the Chief Constable to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is showing in the accounts of the PCC and Group.

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

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

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

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

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

3. Explanation of financial statements

The 2015/16 Statement of Accounts for the Chief Constable of Suffolk (CC) are set out on the following pages. The purpose of individual primary statements is explained below:

- **The Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the CC. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the CC'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 Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Adjustments made between the accounting and funding bases are 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 CC. The net assets of the CC (assets less liabilities) are matched by the reserves held by the CC.

- **The Cash Flow Statement** This shows the changes in cash and cash equivalents during the reporting period. The statement shows how the CC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, during 2015/16 all cash is held by the PCC for Suffolk so the cash flow statement for the CC shows the net deficit on the provision of services as non-cash movements.

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

There were no new CIPFA code 2015/16 requirements that materially affected the Statement of Accounts.

4. The 2015/16 Revenue and Capital Budget Process

The 2015/16 revenue budget process continued the process of addressing the financial challenges from the Spending Reviews of 2010 and 2013.

A joint financial planning process took place in accordance with a timetable agreed by the Suffolk and Norfolk Chief Constables. This process was established as a consequence of the substantial number of collaborated areas and, therefore, the requirement to align as far as possible the service delivery plans in these areas.

Chief Officers met with senior managers and reviewed and challenged savings ideas, and growth pressures for 2015/16 and beyond. The process concluded with Joint Suffolk and Norfolk Chief Officer meetings that agreed joint budgets, costs and savings to be included in spending plans.

The PCC consulted on proposals for expenditure to business representatives during January 2015 to enable them to comment upon the proposals and in addition a council tax precept survey was conducted with members of the public.

The results were collated and presented by the PCC to the Police and Crime Panel at its meeting on 30 January 2015, along with the decision by the PCC to increase the precept by nearly 2%,

These spending plans were then incorporated into the Medium Term Financial Plan (MTFP) of the PCC that covered the period 2015/16 to 2019/20 that was signed off in February 2015.

The MTFP for the PCC is available on www.suffolk-pcc.gov.uk

5. Financial Performance

Savings plans

The Chief Constable has run a well-established and effective Change Programme over recent years. The programme was developed to address the savings requirements arising from the spending reviews of 2010 and 2013 that covered the period up to 2015/16.

Savings plans of £5.369m were identified for 2015/16, and actual savings achieved were £5.720m. The impact of the Home Office Settlement for 2016/17 is a 0.6% cash reduction and there is a savings requirement of £5.035m. The PCC and CC are jointly committed to providing the best possible policing service across Suffolk whilst at the same time reducing costs.

There is more information about the impact of the Home Office settlement for 2016/17 and what this means for the constabulary over the medium term in the Looking Forward section below.

Long Term Liabilities

Pension Liabilities

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

<i>Year-end</i>	<i>Total</i>	<i>Officers</i>	<i>Staff</i>
-----------------	--------------	-----------------	--------------

31 March 2016	£1,137m	£1,096m	£41m
31 March 2015	£1,272m	£1,214m	£58m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,138m at 31 March 2016, however, the financial position of the PCC remains sound as these liabilities will be spread over many years.

Reserves

As at 31 March 2016, the CC has unusable reserves of £1,138m.

Annual Governance Statement

The Accounts and Audit Regulations require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. The AGS can be found on the CC's website at www.suffolk.police.uk. The statement sets out the key governance arrangements for the CC including information about inspections from Her Majesty's Inspectorate of Constabulary (HMIC) and Internal Audit.

6. Non-financial performance

Against a national increase of 8.8%, Home Office data to the end of March 2016 shows total recorded crime in Suffolk increased by 17.7% on the previous 12 month period from 38,000 to 44,723. This is reflected in an increase of 9.06 crimes per 1,000 population (from 51.22 to 60.28) although this is lower than the 67.3 national average.

Our performance report to the end of June 2016 indicates that against our priority crime types, there has been a 7.4% increase in Violence with Injury (although a more recent year to date decrease of 11%), an 11.7% decrease in Burglary Dwelling (five fewer offences per week compared to last year), and an increase of 31% in Robbery (although this has stabilised over recent quarters). Sexual Offending decreased slightly following an upward turn at the start of 2016, and Anti-Social Behaviour has continued to decrease considerably, although is now stabilising towards a new lower baseline.

The Constabulary continues to focus on threat, risk and harm by identifying and supporting those most at risk of victimisation from hidden harms. Over the past twelve months, domestic abuse crimes have increased by 5% in Suffolk- from 4206 in the twelve months up to July 2015, to 4432 in the twelve months up to July 2016. Increases in recorded domestic abuse crime reflects continued national and local encouragement to report such offences to police, enabling us to improve our awareness and understanding of the type and scale of offending and victimisation and our ability to provide appropriate support and protection to victims or people at risk of victimisation. Recorded sexual offences over the same period have stabilised, with the twelve months up to August 2016 recording five fewer offences than the previous twelve month period (1558 to 1553).

Over the twelve months to June 2016, Anti Social Behaviour in Suffolk reduced by 22% compared to the previous twelve month period. This has been achieved through dedicated Operational Partnership Teams bringing together police and partner agencies to focus on repeat, vulnerable and high risk cases of ASB, ensuring they receive the appropriate support and intervention to tackle complex issues. These functionalities have been incorporated into demand management remits of Safer Neighbourhood Teams within the new Suffolk Local Policing Model, enabling continued integrated multi- agency work to tackle local problems.

7. Looking Forward

During the course of the last parliament, and through two Spending Reviews, police were required to deal with significant cuts in funding and deliver savings of around 20% in real terms. In the run up to the general election, and subsequently in the lead up to the Spending Review 2015, the expectation given to the police was that further cuts in excess of 25% in real terms would be required over the life of the new parliament and as such all workforce planning had been based on these expectations.

However, due to an improvement in economic forecasts at the time, the Chancellor announced in the autumn statement on the 25th November 2015 that the funding settlement for police would be significantly better than previously expected, and the overall settlement for total police funding would be protected at cash levels, meaning that inflation would have to be absorbed.

In the provisional Police Grant Report on 17 December 2015, Mike Penning, The Minister of State for Policing stated "For 2016/17 direct resource funding for each PCC, including precept, will be protected at flat cash levels, assuming that precept income is increased to the maximum amount available."

This sudden change in funding settlement, against what had been previously expected, saw a decrease in central grants of 0.6% (instead of the previous assumption of 4.5%). The Medium Term Financial Plan was developed following the announcement of the improved police funding settlement for 2016/17, and also incorporated the decision, by the PCC, to raise the precept by just under 2% following consultation with the public.

The Suffolk Local Policing Review (SLPR) remains a key element of the strategic plan for the constabulary, and was designed to maintain the delivery of the local policing outcomes set out in the Police and Crime plan as well as meeting national policing requirements and maximise the use of available resources to reduce cost whilst delivering an efficient and effective service to the public. The SLPR was developed through a robust programme that developed business cases that reviewed key aspects of the model including demand and performance data. The SLPR programme design delivers £2.7m of savings in 2016/17. Together with savings from units collaborated with Norfolk, savings rise to £5m in 2016/17. The improved settlement from government did not change the need to implement the new more efficient policing model in Suffolk.

With the improved settlement, the decision to raise the precept by 2%, and the efficiency savings of £5m being delivered, Suffolk Constabulary was in a position to invest around £2m in priority areas of growing demand. The main areas where demand is increasing are in protecting vulnerable people, and cybercrime.

The £2m is being invested in 30 police officers to focus on protecting vulnerable people, three PCSOs to carry out a liaison role in schools across the county, and investment in 13 staff posts mainly in cyber investigations.

The Constabulary continues to work with the PCC to develop sustainable plans and models of operational policing that will contribute to bridge the remaining modest budget gap over the medium-term. To continue with the progress of aligning budgets to demand, performance, outcomes and priorities, a programme is being developed using Outcome Based Budgeting (OBB). This approach will analyse the activity spending of the entire force, in terms of budgets, establishment, performance, demand and outcomes. This information will then be lined up against the priorities and demands of the PCC and the constabulary. This will allow projects to be developed to target areas that can be made more efficient, and those areas requiring more investment.

Other proactive strands that will feed into the new Change Programme include Evidenced Based Policing projects through the Better Policing Collaborative. There will also be further work on the Digital Strategy that will release savings through rationalisation of systems, and enable the modernisation of the force through investment in digital technology. In addition the new policing model will be under constant review to ensure it remains fit for purpose.

Opportunities to deliver additional savings through continued work with collaborative partners including Norfolk Constabulary and other forces in the eastern region through the Seven Force Strategic Collaboration Programme, as well as local partners such as other blue light services and local authorities in Suffolk, will continue. All of these proactive elements, that use demand, performance and priority data will shape the new Change Programme and be captured in future MTFPs to support the continued transformation and modernisation of policing.

Given the above information and other financial assumptions, for example on inflation and precept setting, the MTFP covering the four financial years 2016/17 to 2019/20 was approved by the PCC. It shows a modest recurring deficit of £1.2m by 2019/20 and this deficit will be addressed by the proactive approach set out above.

While the picture for medium-term funding for the police service as a whole looks much improved in comparison to last year, there are still uncertainties facing the global, European and UK economy as recovery from recession continues.

In addition, the police service faces further challenges in the future, including the ongoing review of the police funding model by central government, and the funding arrangements, for example, for the Emergency Services Network that will see a national joined up blue light communications system, as well as continuing investment in modernising the service through digital technology such as mobile working and body worn video.

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

Chris Bland CPFA
Chief Finance Officer

Movement in Reserves Statement for the Chief Constable of Suffolk Constabulary

Year Ended 31 March 2015	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 2014	-	-	-	-	-	(1,058,585)	(1,058,584)
Surplus or (deficit) on provision of services (accounting basis)	(46,300)	-	-	-	(46,300)	-	(46,300)
Other comprehensive income and expenditure	-	-	-	-	-	(169,208)	(169,208)
Total comprehensive income and expenditure	(46,300)	-	-	-	(46,300)	(169,208)	(215,508)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	60,604	-	-	-	60,604	(60,604)	-
Contribution to the Police Pension Fund	(14,192)	-	-	-	(14,192)	14,192	-
Movement on the Compensated Absences Account	(111)	-	-	-	(111)	111	-
Use of capital receipts to fund asset purchases	-	-	-	-	-	-	-
Adjustments between accounting basis and funding basis under regulations	46,301	-	-	-	46,301	(46,301)	-
Net increase / decrease before transfers to Earmarked Reserves	-	-	-	-	-	(215,508)	(215,508)
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	-	-	-	-	-	(215,508)	(215,508)
Balance at 31 March 2015	-	-	-	-	-	(1,274,093)	(1,274,093)

Movement in Reserves Statement for the Chief Constable of Suffolk Constabulary

Year Ended 31 March 2016	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 2015	-	-	-	-	-	(1,274,093)	(1,274,093)
Surplus or (deficit) on provision of services (accounting basis)	(34,109)	-	-	-	(34,109)	-	(34,109)
Other comprehensive income and expenditure	-	-	-	-	-	170,154	170,154
Total comprehensive income and expenditure	(34,109)	-	-	-	(34,109)	170,154	136,045
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	55,937	-	-	-	55,937	(55,937)	-
Contribution to the Police Pension Fund	(20,929)	-	-	-	(20,929)	20,929	-
Movement on the Compensated Absences Account	(899)	-	-	-	(899)	899	-
Use of capital receipts to fund asset purchases	-	-	-	-	-	-	-
Adjustments between accounting basis and funding basis under regulations	34,109	-	-	-	34,109	(34,109)	-
Net increase / decrease before transfers to Earmarked Reserves	-	-	-	-	-	136,045	136,045
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	-	-	-	-	-	136,045	136,045
Balance at 31 March 2016	-	-	-	-	-	(1,138,047)	(1,138,047)

Comprehensive Income and Expenditure Statement

for the Chief Constable of Suffolk Constabulary

for the year ended 31 March 2016

Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000		Gross Expenditure 2015/16 £000	Income 2015/16 £000	Net Expenditure 2015/16 £000
			Note			
Division of Service:						
57,722	(1,305)	56,417		53,604	(1,335)	52,269
10,361	(130)	10,231		8,854	(203)	8,651
14,049	(2,134)	11,914		14,510	(1,768)	12,742
5,280	(567)	4,713		4,921	(1,325)	3,595
6,145	(845)	5,300		7,304	(618)	6,686
6,665	(627)	6,039		7,193	(583)	6,610
28,328	(951)	27,377		30,778	(1,415)	29,363
3,416	(97)	3,319		3,839	(677)	3,162
2,852	(1,632)	1,220		2,327	(1,313)	1,014
6	-	6		850	-	850
-	-	-		-	-	-
134,824	(8,287)	126,536		134,180	(9,238)	124,942
-	(125,690)	(125,690)	6	4	(131,534)	(131,534)
134,824	(133,977)	846		134,180	(140,772)	(6,592)
Other Operating Expenditure:						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
Financing and Investment Income and Expenditure:						
-	-	-		-	-	-
45,454	-	45,454		40,701	-	40,701
-	-	-	18	-	-	-
45,454	-	45,454		40,701	-	40,701
Taxation and Non-specific Grant Income:						
-	-	-	15	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
46,300						34,109
Other Comprehensive Income and Expenditure:						
		-				-
		169,208				(170,154)
		169,208	18			(170,154)
		215,508				(136,045)
Total Comprehensive Income and Expenditure						

Balance Sheet for the Chief Constable of Suffolk Constabulary as at 31 March 2016

31 March 2015 £000	Notes	31 March 2016 £000
-	Non-Current Assets	-
-	Long Term Debtors	-
-	Total Long term Assets	-
-	Short term debtors and prepayments	-
-	Current Assets	-
-	TOTAL ASSETS	-
1,608	Short-term creditors and accruals	708
1,608	Current Liabilities	708
1,272,486	Liability Related to Defined Benefits	1,137,339
1,272,486	Long Term Liabilities	1,137,339
1,274,093	TOTAL LIABILITIES	1,138,047
(1,274,093)	NET ASSETS / (LIABILITIES)	(1,138,047)
-	Usable reserves	-
(1,274,093)	Unusable reserves	(1,138,047)
(1,274,093)	TOTAL RESERVES	(1,138,047)

These financial statements replace the unaudited financial statements certified by Chris Bland on 30 June 2016

C Bland CPFA

23 September 2016

Cash-flow Statement for the Chief Constable of Suffolk Constabulary

for the year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
(46,300)	Net Surplus/(deficit) on the provision of services	Page 14	(34,109)
46,300	Adjustment for non cash or cash equivalent movements	11	34,109
-	Adjustment for items included in net deficit on the provision of services that are investing or financing activities:		-
-	Capital grants and contributions		-
<u>-</u>	Net cash flows from operating activities		<u>-</u>
-	Investing activities		-
-	Financing activities		-
<u>-</u>	Net increase or (decrease) in cash and cash equivalents		<u>-</u>
-	Cash and cash equivalents at the beginning of the reporting period		-
<u>-</u>	Cash and cash equivalents at the end of the reporting period		<u>-</u>

Notes to the Financial Statements

for the Chief Constable of Suffolk Constabulary

1. Accounting Policies

General principles

The Statement of Accounts summarises the Group's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (COP) and the Service Reporting Code of Practice 2015/16 (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.

Cost recognition and intra-group adjustment

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

Recognition of working capital

The Scheme of Governance and Consent sets out the roles and responsibilities of the Police and Crime Commissioner and the Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents all contracts and bank accounts are in the name of the PCC. No consent has been granted to the CC to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

Accruals of income and expenditure

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

Cash and cash equivalents

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

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.

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 and certain payroll balances, a de-minimis level of £1,000 is set for year-end accruals.

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

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

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

The PCC is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. However, it is required to make an annual contribution from revenue, the Minimum Revenue Provision (MRP), towards the reduction in the overall borrowing requirement (represented by the Capital Financing Requirement) equal to an amount calculated on a prudent basis determined by the PCC in accordance with statutory guidance.

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

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

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. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which the employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit.

Post-employment benefits

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

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

Liabilities are discounted to their value at current prices, using a discount rate specified each year by the actuary; 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 assets of the LGPS attributable to the Group are included in the balance sheet at their fair value as follows:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.

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

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

The change in the net pensions liability is analysed into 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, and are debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs.
- 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 Group, 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.
- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. They are debited to the pension reserve.
- Contributions paid to the three pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that in the MIRS there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

The Group makes payments to police officers in relation to injury awards and the expected injury awards for active members are valued and accounted for.

Events after the reporting period

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

- Those that provide evidence of conditions that existed at the end of the reporting period. The

Statement of Accounts is adjusted to reflect such events.

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

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

Financial instruments

Financial liabilities

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

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

Financial Assets

Financial assets can be classified into two types:

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

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

Loans and Receivables

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

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

Government grants and contributions

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

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

Amounts recognised as due to the Group are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet 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.

Intangible assets

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

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

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.

Investment policy

The PCC has an investment and cash management policy for 2015/16, which was approved in January 2015. 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 Moody's.

A minimum of £1m is held on an instant access basis to meet any unexpected needs.

Jointly controlled operations and jointly controlled assets

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

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Group and other bodies, with the assets being used to obtain benefits for these bodies. The joint operation does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled

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

Leases

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

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

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

The PCC as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds 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.

The PCC as Lessor

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

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 the CIPFA *Service Reporting Code of Practice 2014/15* (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 – costs relating to retirement benefits and unused and unusable shares of assets.

These two cost categories are defined in SeRCoP and accounted for as separate headings in the CIES, as part of the Net Cost of Policing Services.

Private Finance Initiative (PFI) and similar contracts

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the CIES.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – charged to the unitary payment when they are incurred in future years.

Property, plant and equipment

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

Recognition

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

All expenditure on the acquisition, creation or enhancement and disposal of non-current assets is capitalised subject to a de-minimis threshold of £10,000.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Group.

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

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

- assets under construction – historic cost until the asset is live (assets under construction are not depreciated)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

Provisions

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

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

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

provision is reversed and credited back to the relevant service line.

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

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

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

Revaluation Reserve

This Reserve records the accumulated gains on non-current 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 non-current 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 non-current 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 non-current assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

Pension Reserve

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

Value Added Tax

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

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

The Financial Statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom for 2015/16 (COP), the COP is based on International Financial Reporting Standards (IFRSs).

In 2016/17 adoption of the amendments to the following may be required to be reported;

- IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs (2010 to 2012 cycle).
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2012 to 2014 cycle).
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Fund Account and the Net Assets Statement
- IFRS 13 Fair Value Measurement

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2016, and these IFRSs will be initially adopted as at 1 April 2016. The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. It is not expected that the adoption of these standards will have a material effect on the financial statements.

3. Critical Judgements in Applying Accounting Policies

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

- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 2016/17 in regard of what the PCC will receive from the government and limitations around the precept. The PCC and Chief Constable are working together to mitigate the impact of the funding gap emerging over the period of the Medium Term Financial Plan, the impact of which will be realised in the budget set by the PCC.
- The allocation of transactions and balances between the PCC and the Chief Constable, that has been set out in the Narrative Report, is a judgement as a result of greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance.

- Costs of pension arrangements require estimates assessed by independent qualified actuary's regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.
- In respect of the LGPS police staff pension costs, a separate valuation exercise has been carried out in 2015/16 to provide the accounting entries.
- Suffolk and Norfolk have a significant number of assets including those under Private Finance Initiatives (PFI) arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI), and the capital and financing costs of the provision of those assets in the PCC accounts. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the CC have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the CC accounts including the service charges element of the PFI.

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

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

The PCC receives all funding on behalf of the Group; at no time, under the current arrangements, does the Chief Constable hold any cash or reserves. However, it is felt that to accurately represent the substance of the financial impact of the day-to-day control exercised by the Chief Constable over policing, it is necessary to capture the costs associated with this activity in the Chief Constable's CIES. A consequence of this is that the employment liabilities associated with police officers and police staff are also contained in the Chief Constable's CIES and the cumulative balances are held on the Chief Constable's Balance Sheet. All other assets and liabilities are held on the PCC's Balance Sheet.

Whilst no actual cash changes hands the PCC has undertaken to fund the resources consumed by the Chief Constable. The PCC effectively makes all payments from the Police Fund. To reflect this position in the Accounts, funding from the PCC offsets cost of service expenditure contained in the Chief Constable's CIES. This intra-group adjustment is mirrored in the PCC's CIES. The financial impact associated with the costs of the employment liabilities is carried on the balance sheet in accordance with the Code and add to the carrying value of the Pensions Liability and the Accumulated Absences Liability.

5. Service Expenditure Analysis

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

Local policing

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

Dealing with the public

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

Criminal justice arrangements

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

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

Investigations

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

Investigative support

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

National policing

Secondments (out of force)
 Counter-terrorism/Special Branch
 NPCC (National Police Chiefs Council)
 projects/initiatives

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

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

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

6. Amounts Reported for Resource Allocation Decisions

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

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

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

	Total Chief Constable	Not reported to Management	Amount not included in CIES	Total CC
	£000	£000	£000	£000
Reported to Chief Officers in 2015/16				
Fees charges and other income	(3,624)	160	134	(3,331)
Government grants	(1,272)	-	-	(1,272)
Total Income	(4,896)	160	134	(4,603)
Employee expenses	97,264	31,444	(17,113)	111,595
Other service expenses	22,300	(422)	(3,929)	17,949
Depreciation, impairments & capital	-	-	-	-
Contingencies & appropriations	(1,748)	-	1,748	-
Total Operating Expenditure	117,816	31,023	(19,294)	129,544
Net Operating Expenditure	112,920	31,183	(19,161)	124,942
Reported to Chief Officers in 2014/15				
Fees charges and other income	(4,685)	-	-	(4,685)
Government grants	(1,008)	-	-	(1,008)
Total Income	(5,693)	-	-	(5,693)
Employee expenses	97,858	32,111	(17,049)	112,920
Other service expenses	19,334	611	(636)	19,310
Depreciation and impairments	-	-	-	-
Total Operating Expenditure	117,192	32,723	(17,685)	132,229
Net Operating Expenditure	111,499	32,723	(17,685)	126,536

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the CC with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £126.5m.

Exit Packages

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

8. Post Balance Sheet Events

Post balance sheet events have been considered for the period from the year-end to the date the accounts were authorised for issue on 23 September 2016.

EU decision

On 23 June 2016 the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. Quantification of reasonable financial estimates of the impact of Brexit cannot currently be made.

However, the exit decision may impact on the future basis of assumptions and estimates and future updates to the Medium Term Financial Plan will need to ensure that this issue is considered.

9. Usable Reserves

Movements in the CC's usable reserves are detailed in the Movement in Reserves Statement on pages 12 and 13.

10. Unusable Reserves

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

Chief Constable Position Year Ended 31 March 2016	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Deferred Capital Receipts £000	Comp' Absences Account £000	Total Unusable Reserves £000
Balance at 1 April 2015	(1,272,486)	-	-	-	-	(1,607)	(1,274,093)
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	170,154	-	-	-	-	-	170,154
Total comprehensive income and expenditure	170,154	-	-	-	-	-	170,154
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(55,937)	-	-	-	-	-	(55,937)
Contribution to the Police Pension Fund	20,929	-	-	-	-	-	20,929
Movement on the Compensated Absences Account	-	-	-	-	-	899	899
Adjustments between accounting basis and funding basis under regulations	(35,008)	-	-	-	-	899	(34,109)
Net increase / decrease before transfers to Earmarked Reserves	135,146	-	-	-	-	899	136,045
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	135,146	-	-	-	-	899	136,045
Balance at 31 March 2016	(1,137,339)	-	-	-	-	(708)	(1,138,047)

Chief Constable Position Year Ended 31 March 2015	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Deferred Capital Receipts £000	Comp' Absences Account £000	Total Unusable Reserves £000
Balance at 1 April 2014	(1,056,866)	-	-	-	-	(1,718)	(1,058,585)
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(169,208)	-	-	-	-	-	(169,208)
Total comprehensive income and expenditure	(169,208)	-	-	-	-	-	(169,208)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(60,604)	-	-	-	-	-	(60,604)
Contribution to the Police Pension Fund	14,192	-	-	-	-	-	14,192
Movement on the Compensated Absences Account	-	-	-	-	-	111	111
Adjustments between accounting basis and funding basis under regulations	(46,412)	-	-	-	-	111	(46,301)
Net increase / decrease before transfers to Earmarked Reserves	(215,619)	-	-	-	-	111	(215,508)
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	(215,619)	-	-	-	-	111	(215,508)
Balance at 31 March 2015	(1,272,486)	-	-	-	-	(1,607)	(1,274,093)

11. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15			2015/16	
£000	£000		£000	£000
Adjustment for non cash or cash equivalent items				
within deficit on provision of services:				
-		Depreciation and impairments		-
-		Profit and loss on disposal of fixed assets		-
46,412		Movements on pension liability		35,008
-		Other		-
<u>46,412</u>				<u>35,008</u>
	(111)	Increase/(decrease) in revenue creditors	(899)	
	-	decrease/(increase) in revenue debtors	-	
	-	decrease/(increase) in stocks	-	
	-	Increase/(decrease) in revenue provisions	-	
	-	Increase/(decrease) in grants received in advance	-	
(111)	<u></u>		<u></u>	(899)
<u>46,301</u>				<u>34,109</u>
The cash flows for operating activities include:				
-		Interest paid and similar charges		-
-		Interest received		-

12. Officers' Remuneration

The numbers of employees and police officers whose remuneration exceeded £50k in 2015/16 were as follows:

Remuneration	Chief Constable	
	2015/16	2014/15 Restated
£50,000 - £54,999	11	7
£55,000 - £59,999	4	2
£60,000 - £64,999	1	1
£65,000 - £69,999	-	-
£70,000 - £74,999	1	-
£75,000 - £79,999	1	-
£80,000 - £84,999	2	-
£85,000 - £89,999	0.56	5
£90,000 - £94,999	-	-
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	1
£130,000 - £134,999	1	-
£170,000 - £175,999	-	1

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

Within the £85,000 - £89,999 band, 0.56 FTE relates to the CFO. The CFO acts as CFO for the Chief Constable

and the PCC. The 0.56 relates to the Chief Constable share of the FTE based on salary paid.

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

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

	Salaries Fees and Allowances	Bonuses	Employers Pension Contribution s	Benefits in Kind Estimates	Expenses	Total
	£000	£000	£000	£000	£000	£000
2015/16						
Position held						
Chief Constable (retired 30 Nov 2015)	103	-	28	-	4	135
Chief Constable - Mr Wilson ((appointed 8.1.16) temporary from 24.2.15 to 7.1.16)	126	-	29	4	-	159
Temporary Deputy Chief Constable - Mr Jupp (Appointed 27.4.15)	109	-	25	25	-	159
Temporary Assistant Chief Constable (from 19 Jul 2014 to 30 Sep 2015)	53	-	11	4	-	68
Assistant Chief Constable (Appointed 7.9.15)	57	-	13	3	-	73
Chief Finance Officer (CC) - 0.56 FTE (Appointed 1 May 2015)	46	-	9	-	-	55
2014/15						
Position held						
Chief Constable - Mr Paxton	143	-	33	5	28	209
Temporary Chief Constable (appointed - 24.2.15)	11	-	3	-	-	14
Deputy Chief Constable (Retired - 26.7.14)	47	-	-	1	-	48
Deputy Chief Constable (appointed - 19.7.14 to 24.2.15)	76	-	16	2	-	94
Assistant Chief Constable (Vacant)	-	-	-	-	-	0
Temporary Assistant Chief Constable	105	-	19	3	-	127
Assistant Chief Officer (Retired - 31.1.15)	125	-	20	4	-	149
Assistant Chief Officer - Resources (appointed - 19.1.15 to 31.3.15)	19	-	-	-	-	19

In addition to the posts identified above, a chief officer from Norfolk acted as Assistant Chief Constable in a joint capacity for Norfolk and Suffolk Constabularies; a contribution of £63.1k was paid to Norfolk 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.

13. Related Parties

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

During 2015/16 there were no material related party transactions involving senior officers of the Constabulary, other than those included under employees' remuneration set out in Note 12 of these financial statements. All Chief Officers have been written to requesting details of any related party transactions and there are no disclosures.

Central Government has significant influence over the general operations of the CC, it is responsible for providing the statutory framework within which the CC operates, provides the majority of its funding and prescribes the terms of many of the transactions that the CC has with other parties. Income from central government is set out in Note 15 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements; these are fully disclosed in Note 20.

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

14. External Audit Costs

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

2014/15 £000		2015/16 £000
24	Costs incurred by the Chief Constable of Suffolk in relation to the audit of the Statement of Accounts	15
<u>24</u>		<u>15</u>

15. Grant Income

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

	Amount receivable for 15/16 £000	Amount receivable for 14/15 £000
Credited to Services		
Police incentivisation	333	87
Counter terrorism	80	613
PFI grant	-	-
Other specific grants	128	308
	<u>541</u>	<u>1,008</u>

16. Private Finance Initiatives

Police Investigations Centres (PIC)

During the financial years 2010/11 to 2040/41 the Suffolk and Norfolk PCCs are committed to making payments under a contract with a consortium for the use of the 6 PICs. The actual level of payments will be dependent on availability of the site and provision and delivery of services within. The contract is for 30 years. At the end of this term the properties revert to the 2 Groups.

Suffolk and Norfolk PCCs have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the 6 properties located in the 2 Counties - this being Norfolk 58.2% and Suffolk 41.8%. The payment recognised in the CC accounts is for the services element which during 2015/16 was £1.056 million (£0.908m in 2014/2015).

The PCC makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2016 (which exclude any availability/performance deductions), are shown in the following table:

	Revenue Services £000
Payable in 2016/17	1,088
Payable within two to five years	5,584
Payable within six to ten years	7,497
Payable within eleven to fifteen years	9,277
Payable within sixteen to twenty years	10,852
Payable within twenty one to twenty five years	11,200
	45,498

17. Termination Benefits

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

Exit Package Cost Band including Special Payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages		Total Value of Exit Packages	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £000	2014/15 £000
£0 - £20,000	38	15	-	-	38	15	385	121
£20,001 - £40,000	14	3	-	-	14	3	363	88
£40,001 - £60,000	1	-	-	-	1	-	51	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	5	-	-	-	5	-	464	-
	58	18	-	-	58	18	1,263	209

18. Defined Benefit Pension Schemes

Participation in pension schemes

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

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

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

b) The Police Pension Scheme (PPS) for Police Officers who joined before April 2006. The Employee contributions are 14.25%-15.05% of salary and maximum benefits are achieved after 30 years' service. Contribution rates are dependent on salary.

c) The New Police Pension Scheme (NPPS) for Police Officers who either joined from April 2006 or transferred from the PPS. The employee contributions are 11.00% - 12.75% of salary and maximum benefits are achieved after 35 years' service. Contribution rates are dependent on salary.

d) The Police Pension Scheme 2015 Scheme for Police Officers, is a Career Average Revalued Earnings (CARE) scheme, for those who either joined from April 2015 or transferred from the PPS or NPPS. The employee contributions are 12.44% - 13.78% of salary and the Normal Pension Age is 60 although there are protections for eligible officers to retire earlier. Contribution rates are dependent on salary.

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

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

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

Transactions relating to post-employment benefits

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

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

	LGPS		Police Schemes	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs	7,043	5,221	24,456	26,741
Past service costs	535	6	315	-
(Gain)/loss from settlement	-	-	-	-
Financing and investment income and expenditure				
Net interest expense	1,881	1,703	38,820	43,751
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service	9,459	6,930	63,591	70,491
Other post employment benefit charged to the CIES				
Return on plan assets (excluding the amount included in the net interest expense)	2,210	(12,380)	24	7
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(3,223)	-
- Actuarial gains/losses arising from changes in financial assumptions	(21,229)	30,451	(118,396)	152,081
- Other	(1,684)	(728)	(27,856)	(223)
Total post employment benefit charged to the CIES	(11,244)	24,273	(85,860)	222,356
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	11,244	(24,273)	85,860	(222,356)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	6,119	5,448	-	-
Retirement benefits payable to pensioners	-	-	31,923	25,561
Net charge to the General Fund	6,119	5,448	31,923	25,561

Assets and liabilities in relation to retirement benefits

	Local Government Pension Scheme		Police Pension Schemes	
	2015/16	2014/15	2015/16	2014/15
Present value of liabilities	(183,475)	(194,555)	(1,096,648)	(1,214,431)
Fair value of plan assets	142,783	136,500	-	-
Total Net liabilities	(40,692)	(58,055)	(1,096,648)	(1,214,431)

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Police Pension Schemes	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Opening Balance at 1 April	194,555	154,398	1,214,431	1,017,636
Current service cost	7,043	5,221	24,456	26,741
Interest cost	6,307	6,738	38,820	43,751
Contributions by scheme participants	1,539	1,475	5,512	5,622
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(3,223)	-
- Actuarial gains/losses arising from changes in financial assumptions	(21,229)	30,451	(118,396)	152,081
- Other	(1,692)	(126)	(27,856)	(223)
Past service costs	535	6	315	-
Losses/(gains) on curtailment	-	-	-	-
Benefits Paid	(3,583)	(3,608)	(37,411)	(31,175)
Liabilities extinguished on settlements	-	-	-	-
Closing Balance at 31 March	183,475	194,555	1,096,648	1,214,431

Reconciliation of fair value of the scheme assets

	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Schemes	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Opening fair value of scheme assets	136,500	115,168	-	-
Interest Income	4,426	5,035	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	(2,210)	12,380	(24)	(7)
Other	(8)	602	-	-
The effect of changes in foreign exchange rates				
Contributions from employer	6,119	5,448	31,923	25,561
Contributions from employees into the scheme	1,539	1,475	5,512	5,622
Benefits paid	(3,583)	(3,608)	(37,411)	(31,175)
Other	-	-	-	-
Closing fair value of Scheme Assets	142,783	136,500	-	-

Total of Assets and Liabilities of the schemes

	<u>Local Government</u>		<u>Police</u>	
	<u>Pension Scheme</u>		<u>Pension Schemes</u>	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Opening Balance at 1 April	(58,055)	(39,230)	(1,214,431)	(1,017,636)
Current service cost	(7,043)	(5,221)	(24,456)	(26,741)
Interest cost	(1,881)	(1,703)	(38,820)	(43,751)
Return on plan assets (excluding the amount included in the net interest expense)	(2,210)	12,380	(24)	(7)
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	3,223	-
- Actuarial gains/losses arising from changes in financial assumptions	21,229	(30,451)	118,396	(152,081)
- Other	1,684	728	27,856	223
Past service costs	(535)	(6)	(315)	-
Contributions from Employers	6,119	5,448	31,923	25,561
Effect of Settlements	-	-	-	-
Closing Balance at 31 March	<u>(40,692)</u>	<u>(58,055)</u>	<u>(1,096,648)</u>	<u>(1,214,431)</u>

The total net pension liabilities of £1,137m represent the long term commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,138m (page 15). However, the financial position of the CC remains sound as the liabilities will be spread over many years as follows:

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

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

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

The Police Pension Schemes have no assets to cover their liabilities. The CC's share of the assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the categories in the following table. In addition to the assets listed in the table, additional employer's contributions for pension strain have been accrued (£423k). Reciprocal liabilities associated with these additional pension strain costs have also been reflected in the gross pension liabilities note.

	Fair Value of Scheme Assets	
	31 March	31 March
	2016	2015
	£000	£000
Cash and Cash Equivalents	1,190	1,600
Equity Instruments - industry type:		
- Consumer	11,079	10,223
- Manufacturing	4,265	4,703
- Energy and utilities	1,564	2,292
- Financial Institutions	5,912	5,907
- Health and Care	4,809	4,274
- Information Technology	3,822	2,454
- Other	1,591	1,382
Sub total Equity	33,042	31,234
Bonds - by Sector		
- Corporate	22,654	19,783
- Government	0	2,908
- Other	5,281	5,951
Sub total Bonds	27,935	28,643
Property - by type		
- UK Property	15,593	13,116
Sub total Property	15,593	13,116
Private equity - all:	4,414	4,157
Other Investment funds:		
- Equities	5,364	38,085
- Bonds	3,599	0
- Hedge Funds	0	5,266
- Commodities	38,274	0
- Infrastructure	12,823	3,071
- Other	0	11,327
Sub total Other Investment Funds	60,059	57,748
Derivatives:		
- Foreign Exchange	128	3
Sub total Derivatives	128	3
Total Assets	142,360	136,500

Basis for estimating assets and liabilities

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

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	
	2015/16	2014/15	2015/16	2014/15
Mortality assumptions:				
Longevity at 65 (LGPS) and 60 (PPS) for current pensioners				
Men	22.4	22.4	29.7	29.3
Women	24.4	24.4	31.6	31.5
Longevity at 65 (LGPS) and 60 (PPS) for future pensioners				
Men	24.3	24.3	31.2	30.9
Women	26.9	26.9	33.2	33.0
Rate of inflation (CPI - LGPS and RPI - PPS)	2.2%	0.0%	3.2%	3.7%
Rate of increase in salaries	4.2%	4.3%	3.2%	3.9%
Rate of increase in pensions	2.2%	2.4%	2.2%	2.9%
Rate for discounting scheme liabilities	3.5%	3.2%	3.5%	4.3%

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

	Local Government Pension Scheme		Police Pension Schemes	
	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000	Approximate Increase to Employers Liability %	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	13.0%	23,005	9.0%	103,518
1 year increase in member life expectancy	3.0%	5,492	3.0%	32,648
0.5% increase in the Salary Increase Rate	5.0%	8,600	1.0%	15,162
0.5% increase in the Pension Increase Rate	8.0%	13,898	8.0%	86,877

Impact on the CC's cash flow

The objectives of the LGPS scheme, as set out in the funding strategy statement, are to keep employer's contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The minimum employer contributions payable over the next year for the PCC for Suffolk is 23.2%. The last triennial valuation was dated 31 March 2013.

Estimated employer's contributions for 2016/17 amount to £5.5m on the LGPS and £22.5m on the Police schemes.

Maturity profile of the defined benefit obligation:

	<u>LGPS</u>			<u>Police Pension Schemes</u>		
	Liability split as at 31 March 2016 £000	Liability split as at 31 March 2016 %	Weighted Average Duration at Previous Formal Valuation	Liability split as at 31 March 2016 £000	Liability split as at 31 March 2016 %	Weighted average duration of the defined benefit obligation
Active members	118,942	65.2%	27.2	433,885	41.2%	25.8
Deferred members	22,778	12.5%	25.9	41,598	4.0%	26.2
Pensioner members	40,687	22.3%	12.0	577,187	54.8%	12.0
Total	182,407	100%	22.1	1,052,670	100%	18.3
Contingent Injuries				21,693	49.3%	25.8
Injury Pension Liabilities				22,284	50.7%	14.2
Total				43,977	100%	19.9

19. Creditors

The balance of Creditors is made up of the following:

	2015/16 £000	2014/15 £000
Short term creditors:		
Central government bodies	-	-
Other local authorities	-	-
NHS Bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	708	1,608
Balance at 31 March	708	1,608

20. Jointly Controlled Operations and Jointly Controlled Assets

Norfolk and Suffolk Constabularies have implemented and are developing ways in which both forces can work together to improve performance and to make financial savings. Currently the forces are focusing on Protective Services, Justice Services, Business Support, and from April 2015, elements of County Policing. At 31 March 2016 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	County Policing £000	Total £000
2015/16					
Suffolk PCC	16,676	9,015	14,946	709	41,346
Norfolk PCC	21,659	11,709	19,413	921	53,702
Total shared running costs	38,335	20,724	34,359	1,630	95,048
2014/15					
Suffolk PCC	16,555	8,970	14,858		40,383
Norfolk PCC	21,502	11,651	19,299		52,452
Total shared running costs	38,057	20,621	34,157		92,835

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

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

Police staff engaged in provision of the service were employed by the Commissioner and police officers were seconded to West Yorkshire Police. Expenditure relating to NPAS incurred by forces will be charged to West Yorkshire, and West Yorkshire will charge forces for the service. The Home Office provide capital grant to cover the capital investment required.

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

During the year £804k was payable to West Yorkshire PCC in respect of the NPAS service provided.

At 31 March 2016 West Yorkshire PCC owed Suffolk PCC £1.31m in respect of the Suffolk airframe. The balance is due to be paid in annual instalments up until 2024/25.

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

	Total 2015/16 £000	Total 2014/15 £000
Operating costs	14,458	11,672
Specific Home Office grant	(2,597)	(2,892)
Other income	-	-
	<hr/>	<hr/>
Net expenditure	11,861	8,780
Contributions from forces:		
Bedfordshire	(1,715)	(544)
Cambridgeshire	(2,160)	(1,337)
Essex	(576)	(274)
Hertfordshire	(3,095)	(3,735)
Norfolk	(2,441)	(1,426)
Suffolk	(1,874)	(1,162)
	<hr/>	<hr/>
Deficit/ (Surplus) for the year	-	301

21. Contingent Liabilities

MMI Ltd

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

A19 Group Claim

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

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

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

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

Contractual Dispute

Ipswich Town Football Club have made a claim against Suffolk Constabulary for allegedly overcharging for

special police services (SPS) covering a number of years. They are basing their claim on a Leeds United v West Yorkshire's Police case that stated the police can only charge for officers deployed on land owned, leased or controlled by the club. The court case was heard in the High Court of Justice on 8 and 9 June 2016, with the Approved Judgement being issued on 8 July 2016, in which, Mr Justice Green concluded that the provision of policing services in the Traffic Control Order (TCO) amounts to Special Policing Services.

Permission to appeal to the Court of Appeal from the judgement dated 8 July 2016 was granted by Mr Justice Green on 3 August 2016, with a target date for the appeal to be heard by 24 July 2017.

Capped Overtime Claims

The organisation potentially has a liability in respect of historic overtime claims for Covert Human Intelligence Source (CHIS) handlers and those of a similar nature. Officers from Devon and Cornwall Police claimed successful in the County Court (October 2013) that they were owed payments under Police Regulations 2003. Their claims were upheld at the Court of Appeal. The claims relate to a cap being placed on overtime claims by the Chief Constable. Overtime caps were generally applied across the Police Service for CHIS and other claims. At this point in time Suffolk Police have received 10 claims in respect of CHIS handlers and 4 claims in respect of caps relating to other types of overtime claims, for which Suffolk Constabulary is a co-defendant. The number and amount of potential claims has yet to be quantified.

Pension Regulations – Unlawful Discrimination

The Chief Constable of Suffolk, along with other Chief Constables and the Home Office, currently has 26 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain if the claims are partially or fully successful, and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

Police Pension Fund Accounting Statements

Fund Account

2014/15		2015/16	
£000	£000	£000	£000
		Contributions receivable	
		Employer	
	10,230	Normal	8,609
	307	Early retirements	383
	-	Other - 30+ payments	-
10,537			8,992
		Members	
	5,810	Normal	5,577
5,810			5,577
		Transfers in	
	144	Individual transfers in from other schemes	34
	-	Other	-
144			34
		Benefits payable	
	(24,865)	Pensions	(25,848)
	(5,059)	Commutations and lump sum retirement benefits	(10,765)
	(418)	Lump sum death benefits	-
	-	Other	-
(30,342)			(36,613)
		Payments to and on account of leavers	
	(3)	Refunds on contributions	(1)
	(337)	Individual transfers out to other schemes	(90)
	-	Other	-
(341)			(91)
(14,192)		Net amount receivable for the year before contribution from the Police General Fund	(22,101)
14,192		Contribution from the Police General Fund	20,929
-		Additional funding payable by the local policing body	1,172
-		Net balance receivable for the year	-

The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2015 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

Net Assets and Liabilities

	2014/15	2015/16
	£000	£000
Net current assets		
Net balance receivable from the Police General Fund	-	-
	-	-

GLOSSARY OF TERMS

BUDGET

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

CIPFA

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CURRENT SERVICE COSTS

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

FINANCIAL REGULATIONS

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

FINANCIAL YEAR

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

FINANCIAL REPORTING STANDARDS (FRS)

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

GLOSSARY

Explanation of terms used.

GOVERNMENT GRANTS

Grants paid by the Government for a particular initiative.

INCOME

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

OUTTURN

The actual amount spent in the financial year.

PAST SERVICE COSTS

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

RESERVES

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

REVENUE EXPENDITURE AND INCOME

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