Suffolk Police and Crime Commissioner

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

THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK

GROUP AND PCC STATEMENT OF ACCOUNTS

31 March 2016

www.suffolk-pcc.gov.uk

Statement of Accounts

for the year ended 31 March 2016

Contents page

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

Opinion on the Police and Crime Commissioner for Suffolk financial statements

We have audited the financial statements of the Police and Crime Commissioner for Suffolk 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 Police and Crime Commissioner for Suffolk and Group;*
- *Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner for Suffolk and Group;*
- *Balance Sheet for the Police and Crime Commissioner for Suffolk and Group;*
- *Cash Flow Statement for the Police and Crime Commissioner for Suffolk and Group*
- the related notes 1 to 37*; 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 Police and Crime Commissioner for Suffolk 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 Police and Crime Commissioner for Suffolk, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 3, the Chief Financial Officer is responsible for the preparation of The Police and Crime Commissioner for Suffolk Group and PCC 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 Police and Crime Commissioner for Suffolk and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in The Police and Crime Commissioner for Suffolk Group and PCC 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 Police and Crime Commissioner for Suffolk and Group 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 Police and Crime Commissioner for Suffolk Group and PCC Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement 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 Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

Police and Crime Commissioner's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the PCC 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 Police and Crime Commissioner for Suffolk has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner for Suffolk'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 Police and Crime Commissioner for Suffolk 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 Police and Crime Commissioner for Suffolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 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 Police and Crime Commissioner for Suffolk had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Suffolk 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 Police and Crime Commissioner for Suffolk 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

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 Police and Crime Commissioner for Suffolk (PCC for Suffolk) Responsibilities

The PCC for Suffolk must:

- Arrange for the proper administration of the PCC Suffolk's financial affairs and ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer (CFO PCC).
- 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:

T Passmore
Police and Crime Commissioner for Suffolk **23 September 2016**

The Chief Financial Officer of the PCC (CFO PCC) for Suffolk Responsibilities

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

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

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

The CFO PCC has also:

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

Certificate by Chief Financial Officer of the PCC for Suffolk

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the PCC for Suffolk 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 PCC on 23 September 2016.

D Rowe **23 September 2016**

Narrative Report

Introduction

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

On 15 September 2011 the Police Reform and Social Responsibility Act 2011 (the Act) received Royal Assent in Parliament representing a significant change in the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace the Suffolk Police Authority (SPA) with a newly elected Police and Crime Commissioner for Suffolk (PCC). Both the PCC and the Chief Constable (CC) of Suffolk Constabulary are 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 are in place and are reflected in the separate Annual Governance Statements for the PCC and CC that are published alongside these Statements of Accounts.

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

The Revenue Budget and Capital Programme for 2015/16 were approved by the PCC in February 2016. Tim Passmore was originally elected in 2012 as the Suffolk Police and Crime Commissioner (PCC), and was subsequently re-elected in May 2016, and has responsibility for setting the Revenue Budget and Capital Programme for 2015/16. The responsibilities of the PCC, determined by the Police Reform and Social Responsibility Act 2011, include:

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

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

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). 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 Honington, 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 Estate, 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.

Commissioning

The Anti-Social Behaviour, Crime and Policing Act 2014 provides that a Police and Crime Commissioner can commission services:

a) To secure, or contribute to securing, crime and disorder reduction in Suffolk;
b) To help victims or witnesses of, or other persons affected by, offences and anti-social behaviour.

In applying this provision, the PCC ensures that the services commissioned are also consistent with the objectives and priorities set out within the Police and Crime Plan.

Since 2012 two primary grant awarding funds have been utilised in Suffolk. The first is a Victims Grant and is awarded annually by the Ministry of Justice for the purposes of commissioning of services for victims of crime. This grant is ring-fenced and must be used for commissioning victims services.

The second, the Crime and Disorder Reduction Grant Fund, was established by the PCC in 2013 for the purposes of commissioning services in accordance with the statutory power outlined above.

The award of all grants has to date been based on robust business cases which clearly set out the success criteria (e.g. intended outcomes, milestones, risks, etc.) and how the initiative for which funding is sought will deliver clear and measurable outcomes against Police and Crime Plan objectives. All grant recipients report on the outcomes and progress of projects. Depending on the nature and amount of grant, recipients may also be required to report to public accountability meetings (e.g. the Accountability and Performance Panel).

The performance of service providers has been regularly reviewed and monitored against proposed outcomes/outputs. Where appropriate, services are assessed using the perceptions of victims of crime in terms of their satisfaction with the services and the extent to which they have been supported to cope and recover. Value for money and efficiency also features in the evaluation of services and commissioning of services. All monitoring reports are published on the PCC's website.

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 Police and Crime Commissioner for Suffolk and the PCC Group 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 Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.
- **The Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. Adjustments made between the accounting and funding 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 Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **The Cash Flow Statement** shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Please note that occasionally £1k differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies. The notes to the accounts are headed “Group” and “PCC” as appropriate. If only one table is included within a note, this relates to both the Group and the PCC.

Prior Period Adjustments

As part of the accounts preparation process, an error was identified in the way that the Home Office contribution to police pensions was shown. This income had previously been shown in the Taxation and Non-specific Grant Income section of the Comprehensive Income and Expenditure Statement, whereas it should have been shown in the Other Operating Expenditure section.

This error requires a prior period adjustment being made to the 2014/15 figures to re-present the above position. The prior period adjustment impacts solely on the Comprehensive Income and Expenditure Statements for the Group and the PCC single entity; there is no impact on the Chief Constable’s accounts nor on any of the other primary statements.

During 2015/16, the finance teams from Norfolk and Suffolk Constabularies have been amalgamated into one joint finance team, and therefore one team is now responsible for preparing the Statement of Accounts for both organisations. This collaboration has resulted in the format of the accounts being revisited, and a number of presentational enhancements have been made. These include:

- PCC Commissioning income and expenditure is now shown in a separate line in the Net Cost of Policing, whereas it was previously shown within Local Policing. This presentation achieves greater transparency.
- Various presentational enhancements to the balance sheet, including splitting provisions between short-term and long-term.

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%,

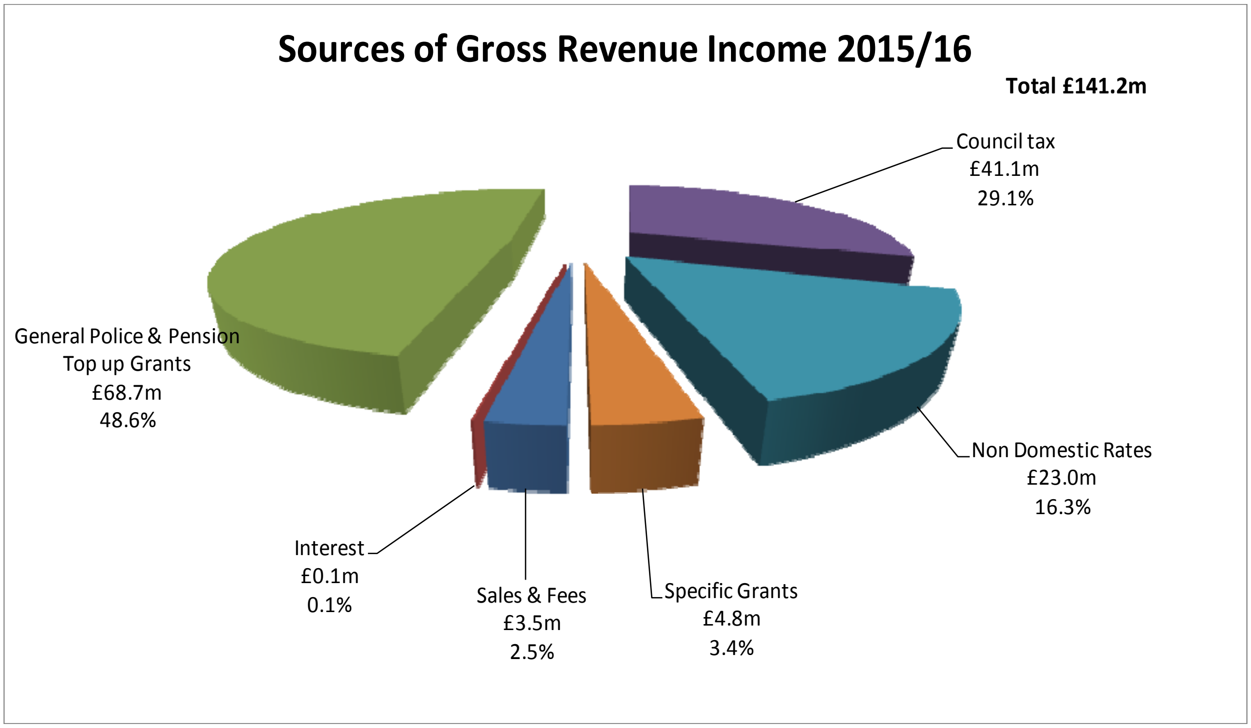
These spending plans were then incorporated into the Medium Term Financial Plan (MTFP) of the PCC that covered the period 2015/16 to 2019/20 that was signed off in February 2015.

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

5. Financial Performance of the PCC Group for 2015/16

Sources of Funding

The majority of police funding comes from the Government in the form of general and specific grants together with a share of business rate income from the national pool. The remainder comes from Council tax and fees and charges. The financing burden on local Council taxpayers, as a percentage over funding, has steadily increased as Government grants are reduced. The following chart shows the sources of revenue funding in 2015/16:



Revenue Budget

In January 2015, the PCC approved a net revenue budget for 2015/16 of £111.619m. The council tax for a Band D property for 2015/16 was £170.10 (2014/15 £166.77) following a decision by the PCC to increase the Council Tax by nearly 2%.

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.

Revenue Expenditure Compared to Budget.

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

	Budget £000	Final outturn £000	Variance £000
Constabulary	109,489	111,923	(2,434)
Office of the PCC	941	839	102
OPCC - Grants	803	526	277
Capital Financing	2,408	2,104	304
Net total contributions to / (from) earmarked reserves	(2,022)	(3,773)	1,751
Total Net Expenditure	111,619	111,619	-
Grants and non-domestic rates income	70,741	70,741	-
Precept income (before collection fund balance adjustment)	40,878	40,878	-
Transfer from/(to) General reserves	-	-	**-**

The Constabulary faced a year of unprecedented change during 2015/16, this included significant operational and back office changes as part of the agreed change programme within the medium term financial plan. Also during 2015/16, the Constabulary implemented two major corporate systems, Athena and ERP. This level of change presented the Constabulary with significant challenges, both operational and financial.

The main variances within the constabulary budget were as follows:

- The overspend in pay of £0.380m (0.39% of the Constabulary pay budget) is primarily due to overspends in Ill Health lump sums, Injury Pensions, Police Overtime and Agency costs, offset by under-spends in Police, Staff and PCSO pay.
- The over-spend of £0.737m in other employee costs includes costs of £0.680m relating to redundancy payments as a result of the change programme to be funded by the Change Reserve.
- The under-spend of £0.195m in property related costs relates to lower expenditure on estates and facilities costs than budgeted, including utilities, rent and the facilities management contracts.
- The over-spend of £0.608m primarily relates to increased costs within ICT due to expenditure in relation to the dual running of mobile phone contracts (£0.266m), higher expenditure than budgeted on Home Office systems (£0.097m) due to late notice of increased charges, additional legal fees incurred (£0.068m) and an increased contribution to the insurance provision has been made due to higher liabilities (0.172m).

The Total Net Expenditure in the above table is different to Net Cost of Police Services reported in the CIES (shown on page 20), which is prescribed by the Code of Practice. The difference is primarily made up of accounting adjustments required by the Code. The reconciliation between the two amounts is shown in the following table:

2014/15 £000		2015/16 £000
113,150	**Total Net Expenditure per Outturn Report**	111,619
(677)	Revenue funding of capital	(977)
(638)	Minimum Revenue Provision (MRP)	(665)
9,794	Depreciation, amortisation and impairments	4,709
84	Proceeds from the sale of fixed assets not taken to the Capital Receipts Reserve	-
32,091	IAS 19 pension service costs (accounting basis)	32,522
(16,934)	Pension contributions (funding basis)	(17,230)
(103)	Movement on employee benefits accrual	(907)
1,287	Transfers to earmarked reserves	3,773
141	Interest received	134
(3,052)	Interest payable	(2,873)
135,143	**Net Cost of Police Services**	**130,104**

Capital Budget

The Capital programme for 2015/16, including slippage from 2014/15, was £4.610m. Actual expenditure against this total was £3.657m. The under-spend of £0.953m is primarily due to joint ICT schemes with Norfolk continuing into 2016/17. Actual expenditure includes an amount of £0.419m relating to incidental and de-minimis expenditure, which is not capitalised in the financial statements but charged directly to the CIES.
The capital programme was financed by government grants and contributions (£1.0m), revenue contributions (£0.5m), the Capital Financing Reserve (£0.6m), the Change Reserve (£0.2m) and capital receipts (£1.3m).

Long Term Liabilities

Pension Liabilities

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

Year-end	***Total***	***Officers***	***Staff***
31 March 2016	£1,139m	£1,097m	£42m
31 March 2015	£1,273m	£1,214m	£59m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,101m at 31 March 2016, however, the financial position of the PCC remains sound as these liabilities will be spread over many years.

PFI Liabilities

At the year end the Suffolk PCC share of the PFI liability associated with Police Investigation Centres amounted to £24.1m. The full cost of the annual unitary charge is included within the PCC's balanced budget. The Suffolk PCC share of an annual grant received from the Home Office supporting the annual unitary charge amounts to £2.7m per annum.

Reserves

As at 31 March 2016, the PCC has usable reserves of £12.3m which are available to support revenue and capital spending. These include earmarked reserves of £7.3m (against which there are significant commitments), and a general reserve of £5.0m. These reserves are not fully supported by cash balances, primarily due to capital expenditure in some prior years being financed from cash.

Treasury Management

Treasury Management includes borrowing, investment, interest rate exposures, cash balances, cash-flow forecasting and banking relationships. The PCC has agreed a Treasury Management Strategy which complies with CIPFA guidance**.** During 2015/16, the PCC continued to invest available cash balances in accordance with cash-flow forecasts, ensuring that prescribed policies with regard to security and liquidity were observed. The average level of investments for 2015/16 was £19.8m and the interest received against the budget of £0.100m was £0.133m. The overall return of 0.67% exceeded the benchmark of the Local Government 7 day rate average of 0.25% by 0.42%.

Annual Governance Statement

The Accounts and Audit Regulations require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. The AGS for the PCC can be found on the PCC's website at www.suffolk-pcc.gov.uk. The AGS for the CC can be found on the CC's website at www.suffolk.police.uk. The statements set out the key governance arrangements for the PCC and 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.

Further information on performance against the Police and Crime Plan 2013-2017 is contained in the PCC's Annual Report, which will be available on the PCC's website at www.suffolk-pcc.gov.uk following submission to the Police and Crime Panel on 7 October 2016.

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 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 PCC for Suffolk Group

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	**5,000**	**12,500**	-	**51**	**17,550**	**(1,024,710)**	**(1,007,159)**
Surplus or (deficit) on provision of services (accounting basis)	(56,163)	-	-	-	**(56,163)**	-	**(56,163)**
Other comprehensive income and (expenditure)	-	-	-	-	-	**(167,880)**	**(167,880)**
Total comprehensive income and expenditure	**(56,163)**	-	-	-	**(56,163)**	**(167,880)**	**(224,043)**
Amortisation of intangible assets	452	-	-	-	**452**	**(452)**	-
Depreciation on property, plant and equipment	4,176	-	-	-	**4,176**	**(4,176)**	-
Revaluation losses on property, plant and equipment	5,167	-	-	-	**5,167**	**(5,167)**	-
Capital grants and contributions credited to the CIES	(1,878)	-	-	11	**(1,868)**	**1,868**	-
Application of capital grants from unapplied account	-	-	-	(38)	**(38)**	**38**	-
Net gain or loss on the sale of non-current assets	2,581	-	1,919	-	**4,501**	**(4,501)**	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	60,637	-	-	-	**60,637**	**(60,637)**	-
Movement on the collection fund adjustment account	(649)	-	-	-	**(649)**	**649**	-
Capital expenditure charged to the General Fund Balance	(677)	-	-	-	**(677)**	**677**	-
Statutory provision for the repayment of debt	(638)	-	-	-	**(638)**	**638**	-
Contribution to the Police Pension Fund	(14,192)	-	-	-	**(14,192)**	**14,192**	-
Movement on the Compensated Absences Account	(103)	-	-	-	**(103)**	**103**	-
Use of capital receipts to fund asset purchases	-	-	(1,919)	-	**(1,919)**	**1,919**	-
Adjustments between accounting basis and funding basis under regulations	**54,876**	-	-	**(27)**	**54,848**	**(54,848)**	-
Net increase / decrease before transfers to Earmarked Reserves	**(1,287)**	-	-	**(27)**	**(1,315)**	**(222,728)**	**(224,043)**
Transfers to / from earmarked reserves	1,287	(1,287)	-	-	-	-	-
Increase / decrease in year	-	**(1,287)**	-	**(27)**	**(1,315)**	**(222,728)**	**(224,043)**
Balance at 31 March 2015	**5,000**	**11,212**	-	**24**	**16,236**	**(1,247,437)**	**(1,231,201)**

Movement in Reserves Statement for the PCC for Suffolk Group

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	**5,000**	**11,212**	**-**	**24**	**16,236**	**(1,247,437)**	**(1,231,201)**
Surplus or (deficit) on provision of services (accounting basis)	(39,552)	-	-	-	**(39,552)**	**-**	**(39,552)**
Other comprehensive income and (expenditure)	-	-	-	-	**-**	**170,044**	**170,044**
Total comprehensive income and expenditure	**(39,552)**	**-**	**-**	**-**	(39,552)	**170,044**	**130,491**
Amortisation of intangible assets	681	-	-	-	**681**	**(681)**	**-**
Depreciation on property, plant and equipment	3,931	-	-	-	**3,931**	**(3,931)**	**-**
Revaluation losses on property, plant and equipment	97	-	-	-	**97**	**(97)**	**-**
Capital grants and contributions and income in relation to donated assets credited to the CIES	(994)	-	-	-	**(994)**	**994**	**-**
Application of capital grants from unapplied account	-	-	-	(21)	**(21)**	**21**	**-**
Net gain or loss on the sale of non-current assets	(290)	-	1,247	-	**957**	**(957)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	56,023	-	-	-	**56,023**	**(56,023)**	**-**
Movement on the collection fund adjustment account	(190)	-	-	-	**(190)**	**190**	**-**
Capital expenditure charged to the General Fund Balance	(977)	-	-	-	**(977)**	**977**	**-**
Statutory provision for the repayment of debt	(665)	-	-	-	**(665)**	**665**	**-**
Contribution to the Police Pension Fund	(20,929)	-	-	-	**(20,929)**	**20,929**	**-**
Movement on the Compensated Absences Account	(907)	-	-	-	**(907)**	**907**	**-**
Use of capital receipts to fund asset purchases	-	-	(1,247)	-	**(1,247)**	**1,247**	**-**
Adjustments between accounting basis and funding basis under regulations	**35,779**	**-**	**-**	**(21)**	**35,758**	**(35,758)**	**-**
Net increase / decrease before transfers to Earmarked Reserves	**(3,773)**	**-**	**-**	**(21)**	**(3,794)**	**134,286**	**130,491**
Transfers to / from earmarked reserves	3,773	(3,773)	-	-	**-**	**-**	**-**
Increase / decrease in year	**-**	**(3,773)**	**-**	**(21)**	**(3,794)**	**134,286**	**130,491**
Balance at 31 March 2016	**5,000**	**7,439**	**-**	**3**	**12,442**	**(1,113,151)**	**(1,100,709)**

Movement in Reserves Statement for the PCC for Suffolk

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	**5,000**	**12,500**	**-**	**51**	**17,550**	**33,875**	**51,426**
Surplus or (deficit) on provision of services (accounting basis)	(9,863)	-	-	-	**(9,863)**	**-**	**(9,863)**
Other comprehensive income and expenditure	-	-	-	-	**-**	**1,328**	**1,328**
Total comprehensive income and expenditure	**(9,863)**	**-**	**-**	**-**	**(9,863)**	**1,328**	**(8,535)**
Amortisation of intangible assets	452	-	-	-	**452**	**(452)**	**-**
Depreciation on property, plant and equipment	4,176	-	-	-	**4,176**	**(4,176)**	**-**
Revaluation losses on property, plant and equipment	5,167	-	-	-	**5,167**	**(5,167)**	**-**
Capital grants and contributions credited to the CIES	(1,878)	-	-	11	**(1,868)**	**1,868**	**-**
Application of capital grants from unapplied account	-	-	-	(38)	**(38)**	**38**	**-**
Net gain or loss on the sale of non-current assets	2,581	-	1,919	-	**4,501**	**(4,501)**	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	**-**	**-**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	34	-	-	-	**34**	**(34)**	**-**
Movement on the collection fund adjustment account	(649)	-	-	-	**(649)**	**649**	**-**
Capital expenditure charged to the General Fund Balance	(677)	-	-	-	**(677)**	**677**	**-**
Statutory provision for the repayment of debt	(638)	-	-	-	**(638)**	**638**	**-**
Contribution to the Police Pension Fund	-	-	-	-	**-**	**-**	**-**
Movement on the Compensated Absences Account	8	-	-	-	**8**	**(8)**	**-**
Use of capital receipts to fund asset purchases	-	-	(1,919)	-	**(1,919)**	**1,919**	**-**
Adjustments between accounting basis and funding basis under regulations	**8,575**	**-**	**-**	**(27)**	**8,548**	**(8,548)**	**-**
Net increase / decrease before transfers to Earmarked Reserves	**(1,288)**	**-**	**-**	**(27)**	**(1,315)**	**(7,220)**	**(8,535)**
Transfers to / from earmarked reserves	1,288	(1,288)	-	-	**-**	**-**	**-**
Increase / decrease in year	**-**	**(1,288)**	**-**	**(27)**	**(1,315)**	**(7,220)**	**(8,535)**
Balance at 31 March 2015	**5,000**	**11,212**	**-**	**24**	**16,237**	**26,656**	**42,892**

Movement in Reserves Statement for the PCC for Suffolk

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	**5,000**	**11,212**	-	**24**	**16,236**	**26,656**	**42,891**
Surplus or (deficit) on provision of services (accounting basis)	(5,443)	-	-	-	**(5,443)**	-	**(5,443)**
Other comprehensive income and expenditure	-	-	-	-	-	**(110)**	**(110)**
Total comprehensive income and expenditure	**(5,443)**	-	-	-	**(5,443)**	**(110)**	**(5,553)**
Amortisation of intangible assets	681	-	-	-	**681**	**(681)**	-
Depreciation on property, plant and equipment	3,931	-	-	-	**3,931**	**(3,931)**	-
Revaluation losses on property, plant and equipment	97	-	-	-	**97**	**(97)**	-
Capital grants and contributions credited to the CIES	(994)	-	-	-	**(994)**	**994**	-
Application of capital grants from unapplied account	-	-	-	(21)	**(21)**	**21**	-
Net gain or loss on the sale of non-current assets	(290)	-	1,247	-	**957**	**(957)**	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	86	-	-	-	**86**	**(86)**	-
Movement on the collection fund adjustment account	(190)	-	-	-	**(190)**	**190**	-
Capital expenditure charged to the General Fund Balance	(977)	-	-	-	**(977)**	**977**	-
Statutory provision for the repayment of debt	(665)	-	-	-	**(665)**	**665**	-
Contribution to the Police Pension Fund	-	-	-	-	-	-	-
Movement on the Compensated Absences Account	(8)	-	-	-	**(8)**	**8**	-
Use of capital receipts to fund asset purchases	-	-	(1,247)	-	**(1,247)**	**1,247**	-
Adjustments between accounting basis and funding basis under regulations	**1,670**	-	-	**(21)**	**1,650**	**(1,650)**	-
Net increase / decrease before transfers to Earmarked Reserves	**(3,773)**	-	-	**(21)**	**(3,794)**	**(1,760)**	**(5,553)**
Transfers to / from earmarked reserves	3,773	(3,773)	-	-	-	-	-
Increase / decrease in year	-	**(3,773)**	-	**(21)**	**(3,794)**	**(1,760)**	**(5,553)**
Balance at 31 March 2016	**5,000**	**7,439**	-	**3**	**12,442**	**24,897**	**37,338**

Comprehensive Income and Expenditure Statement

for the PCC for Suffolk Group

for the year ended 31 March 2016

Gross Expenditure 2014/15 Restated £000	Income 2014/15 Restated £000	Net Expenditure 2014/15 Restated £000		Note	Gross Expenditure 2015/16 £000	Income 2015/16 £000	Net Expenditure 2015/16 £000
			Division of Service:				
60,577	(1,344)	59,233	Local Policing		56,094	(1,396)	54,698
11,883	(139)	11,744	Dealing with the Public		9,399	(218)	9,181
14,920	(4,878)	10,042	Criminal Justice Arrangements		15,209	(4,519)	10,690
6,286	(569)	5,717	Road Policing		5,164	(1,331)	3,833
6,477	(848)	5,629	Specialist Operations		7,604	(625)	6,979
7,364	(631)	6,733	Intelligence		7,498	(592)	6,906
30,315	(968)	29,347	Investigations		32,232	(1,455)	30,778
3,620	(99)	3,520	Investigative Support		3,987	(681)	3,306
2,988	(1,633)	1,355	National Policing		2,446	(1,317)	1,130
6	-	6	Non-distributed costs		850	-	850
1,206	-	1,206	Corporate and democratic core		1,227	-	1,227
1,347	(736)	611	PCC Commissioning		1,343	(818)	526
146,988	**(11,845)**	**135,143**	**Net Cost of Police Services**	**7**	**143,054**	**(12,950)**	**130,104**
			Other Operating Expenditure:				
-	(14,192)	(14,192)	Home Office contribution to police pensions	**9**	-	(20,929)	(20,929)
2,498	-	2,498	Loss/(profit) on disposal of fixed assets		-	(290)	(290)
2,498	**(14,192)**	**(11,694)**			**-**	**(21,219)**	**(21,219)**
			Financing and Investment Income and Expenditure:				
3,052	-	3,052	Interest payable and similar charges		2,873	-	2,873
			Pensions interest cost and expected				
45,480	-	45,480	return on pensions assets	**18**	40,731	-	40,731
-	(141)	(141)	Interest and investment income		-	(134)	(134)
48,532	**(141)**	**48,391**			**43,604**	**(134)**	**43,471**
			Taxation and Non-specific Grant Income:				
-	(50,413)	(50,413)	General grants	**9**	-	(47,743)	(47,743)
-	(1,878)	(1,878)	Capital grants and contributions	**9**	-	(994)	(994)
-	(23,772)	(23,772)	Non-domestic rate redistribution	**9**	-	(22,998)	(22,998)
	(39,614)	(39,614)	Precepts	**12**		(41,069)	(41,069)
-	**(115,677)**	**(115,677)**			**-**	**(112,803)**	**(112,803)**
		56,163	**Deficit/(Surplus) on the Provision of Services**				**39,552**
			Other Comprehensive Income and Expenditure:				
		(1,362)	(Surplus) / deficit on the revaluation of assets	**14**			(222)
		169,242	Remeasurements of the net defined benefit liability (asset)	**18**			(169,822)
		167,880					**(170,044)**
		224,043	**Total Comprehensive Income and Expenditure**				**(130,491)**

Comprehensive Income and Expenditure Statement

for the PCC for Suffolk

for the year ended 31 March 2016

Gross Expenditure 2014/15 Restated £000	Income 2014/15 Restated £000	Net Expenditure 2014/15 Restated £000		Note	Gross Expenditure 2015/16 £000	Income 2015/16 £000	Net Expenditure 2015/16 £000
			Division of Service:				
2,855	(38)	2,816	Local Policing		2,490	(60)	2,430
1,522	(9)	1,513	Dealing with the Public		545	(15)	530
872	(2,744)	(1,873)	Criminal Justice Arrangements		699	(2,751)	(2,052)
1,005	(2)	1,003	Road Policing		244	(6)	238
333	(3)	330	Specialist Operations		300	(6)	293
698	(4)	694	Intelligence		305	(8)	296
1,987	(18)	1,969	Investigations		1,454	(39)	1,415
204	(2)	202	Investigative Support		148	(4)	144
136	(1)	135	National Policing		120	(3)	116
-	-	-	Non-distributed costs		-	-	-
1,206	-	1,206	Corporate and democratic core		1,227	-	1,227
1,347	(736)	611	PCC Commissioning		1,343	(818)	526
12,165	**(3,558)**	**8,607**	**Net Cost of Police Services before group funding**	**7**	**8,874**	**(3,711)**	**5,163**
125,690	-	125,690	Intra-group funding	5	131,534	-	131,534
137,855	**(3,558)**	**134,297**	**Net Cost of Policing Services**		**140,407**	**(3,711)**	**136,696**
			Other Operating Expenditure:				
-	(14,192)	(14,192)	Home Office contribution to police pensions	**9**	-	(20,929)	(20,929)
2,498	-	2,498	Loss/(profit) on disposal of fixed assets		-	(290)	(290)
2,498	**(14,192)**	**(11,694)**			**-**	**(21,219)**	**(21,219)**
			Financing and Investment Income and Expenditure:				
3,052	-	3,052	Interest payable and similar charges		2,873	-	2,873
26	-	26	Pensions interest cost and expected return on pensions assets	**18**	30	-	30
-	(141)	(141)	Interest and investment income		-	(134)	(134)
3,078	**(141)**	**2,937**			**2,903**	**(134)**	**2,770**
			Taxation and Non-specific Grant Income:				
-	(50,413)	(50,413)	General grants	**9**	-	(47,743)	(47,743)
-	(1,878)	(1,878)	Capital grants and contributions	**9**	-	(994)	(994)
-	(23,772)	(23,772)	Non-domestic rate redistribution	**9**	-	(22,998)	(22,998)
-	(39,614)	(39,614)	Precepts	**12**	-	(41,069)	(41,069)
-	**(115,677)**	**(115,677)**			**-**	**(112,803)**	**(112,803)**
		9,863	**Deficit/(Surplus) on the Provision of Services**				**5,443**
			Other Comprehensive Income and Expenditure:				
		(1,362)	(Surplus) / deficit on the revaluation of assets	**14**			(222)
		34	Remeasurements of the net defined benefit liability (asset)	**18**			332
		(1,328)					**110**
		8,535	**Total Comprehensive Income and Expenditure**				**5,553**

Balance Sheet for the PCC for Suffolk Group

as at 31 March 2016

31 March 2015 Restated £000		Notes	31 March 2016 £000
58,907	Property, plant and equipment	**14**	55,395
2,149	Intangible assets	**14**	4,190
61,057	**Non-Current Assets**		59,585
1,309	Long term debtors	**20**	1,309
62,366	**Total Long term Assets**		60,894
261	Inventories		83
7,902	Short term debtors and prepayments	**20**	10,151
6,247	Cash and cash equivalents	**21**	4,683
8,019	Short term investments	**19**	7,028
734	Assets held for sale	**22**	-
23,162	**Current Assets**		21,945
85,527	**TOTAL ASSETS**		**82,839**
8,506	Short-term creditors and accruals	**23**	9,821
96	Provisions	**25**	1,839
-	PFI liabilities and leases	**17/26**	386
8,602	**Current Liabilities**		12,046
1,273,426	Other long term liabilities	**18**	1,138,698
817	Provisions	**25**	-
9,077	Long term borrowing	**33**	8,801
24,369	PFI liabilities	**17**	23,790
160	Finance leases	**26**	-
278	Grants receipts in advance	**9**	214
1,308,127	**Long Term Liabilities**		1,171,503
1,316,728	**TOTAL LIABILITIES**		**1,183,549**
(1,231,201)	**NET ASSETS / (LIABILITIES)**		**(1,100,710)**
16,237	Usable reserves	**27**	12,442
(1,247,438)	Unusable reserves	**29**	(1,113,152)
(1,231,201)	**TOTAL RESERVES**		**(1,100,710)**

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

C Bland CPFA (CFO PCC), 23 September 2016

Balance Sheet for the PCC for Suffolk

as at 31 March 2016

31 March 2015 Restated £000		Notes	31 March 2016 £000
58,907	Property, plant and equipment	**14**	55,395
2,149	Intangible assets	**14**	4,190
61,057	**Non-Current Assets**		59,585
1,309	Long Term Debtors	**20**	1,309
62,366	**Total Long term Assets**		60,894
261	Inventories		83
7,902	Short term debtors and prepayments	**20**	10,151
6,247	Cash and cash equivalents	**21**	4,683
8,019	Short term investments	**19**	7,028
734	Assets held for sale	**22**	-
23,162	**Current Assets**		21,945
85,527	**TOTAL ASSETS**		**82,839**
6,899	Short-term creditors and accruals	**23**	9,113
96	Provisions	**25**	1,839
-	PFI liabilities and leases	**17**	386
6,994	**Current Liabilities**		11,337
940	Other long term liabilities	**18**	1,359
817	Provisions	**25**	-
9,077	Long term borrowing	**33**	8,801
24,369	PFI liabilities	**17**	23,790
160	Finance leases	**26**	-
278	Grants receipts in advance	**9**	214
35,641	**Long Term Liabilities**		34,164
42,635	**TOTAL LIABILITIES**		**45,501**
42,892	**NET ASSETS / (LIABILITIES)**		**37,339**
16,236	Usable reserves	**27**	12,442
26,656	Unusable reserves	**29**	24,896
42,892	**TOTAL RESERVES**		**37,339**

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

C Bland CPFA (CFO PCC), 23 September 2016

Cash-flow Statement for the PCC for Suffolk Group

for the year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
(56,163)	**Net Surplus/(deficit) on the provision of services**	**Page 20**	**(39,552)**
53,749	Adjustment for non cash or cash equivalent movements	**32**	39,177
	Adjustment for items included in net deficit on the provision		
-	of services that are investing or financing activities:		-
(1,878)	Capital grants and contributions	**31**	(994)
(4,292)	**Net cash flows from operating activities**		(1,369)
(5,814)	Investing activities	**31**	430
(583)	Financing activities	**31**	(625)
(10,690)	**Net increase or (decrease) in cash and cash equivalents**	**30**	**(1,564)**
16,937	Cash and cash equivalents at the beginning of the reporting period	**21**	6,247
6,247	**Cash and cash equivalents at the end of the reporting period**	**21**	**4,683**

Cash-flow Statement for the PCC for Suffolk

for the year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
(9,863)	**Net Surplus/(deficit) on the provision of services**	**Page 21**	**(5,443)**
7,449	Adjustment for non cash or cash equivalent movements	**32**	5,069
	Adjustment for items included in net deficit on the provision		
-	of services that are investing or financing activities:		-
(1,878)	Capital grants and contributions	**31**	(994)
(4,292)	**Net cash flows from operating activities**		(1,368)
(5,814)	Investing activities	**31**	430
(583)	Financing activities	**31**	(625)
(10,690)	**Net increase or (decrease) in cash and cash equivalents**	**30**	**(1,564)**
16,937	Cash and cash equivalents at the beginning of the reporting period	**21**	6,247
6,247	**Cash and cash equivalents at the end of the reporting period**	**21**	**4,683**

Notes to the Financial Statements for the PCC for Suffolk and the PCC for Suffolk Group

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.

<u>Discretionary Benefits</u>

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.

<u>The PCC as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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.

<u>Depreciation</u>

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.

<u>Disposals and Non-Current Assets Held for Sale</u>

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 2016/2017 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 to these accounts, is a judgement as a result of greater clarity and a better understanding of arrangements and governance between the PCC and the Chief Constable, as well as bulletins issued by CIPFA and the Audit Commission that enhanced the prevailing guidance.
- The PCC has taken over the obligations arising from a PFI contract entered into by the former Police Authority. The 30 year PFI contract was for the provision of newly built Police Investigation Centres, title to the assets will be retained by the PCCs of both Norfolk and Suffolk on completion of the contract. Associated assets have been capitalised and treated “on Balance Sheet” as required by IFRS.
- The PCC for Suffolk has 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.
- Costs of pension arrangements require estimates assessed by independent qualified actuaries regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.
- In respect of the LGPS police staff pension costs, separate actuarial valuations have been carried out in 2015/16 and are reflected in the financial statements.
- Establishing the valuation of operational and residential properties. Depreciation is a calculation based on asset value and expected useful life of the assets. If the useful life of an asset is reduced then the depreciation charge to CIES will increase. The PCC monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year.

4. 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 PCC with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £126.9m.

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.

Property, plant and equipment

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

Land	£9.3m
Property	£37.0m

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

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

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

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

6. Service Expenditure Analysis

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

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

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

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

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

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

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

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

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

National policing
Secondments (out of force)
Counter-terrorism/Special Branch
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.

PCC Commissioning is not a separately defined category within the Service Reporting Code of Practice, however the related income and expenditure has been shown separately within the Net Cost of Police Services in the CIES for enhanced transparency.

7. Amounts Reported for Resource Allocation Decisions

	Total Chief Constable	PCC's Office	Not reported to management			Amount not included in CIES			Total Group
			PCC	CC	Total	PCC	CC	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Reported to Chief Officers in 2015/16									
Fees charges and other income	(3,624)	-	(160)	160	-	-	134	134	**(3,491)**
Government grants	(1,272)	(3,552)	-	-	-	-	-	-	**(4,824)**
Total Service Income	**(4,896)**	**(3,552)**	**(160)**	**160**	**-**	**-**	**134**	**134**	**(8,314)**
Employee expenses	97,264	676	171	31,444	31,615	(117)	(17,113)	(17,230)	**112,324**
Other service expenses	22,300	1,507	1,510	(422)	1,088	-	(3,929)	(3,929)	**20,966**
Depreciation, impairments & capital	-	1,289	4,709	-	4,709	(870)	-	(870)	**5,128**
Contingencies & appropriations	(1,748)	(1,220)	-	-	-	1,220	1,748	2,968	-
Total Service Expenditure	**117,816**	**2,251**	**6,389**	**31,023**	**37,412**	**233**	**(19,294)**	**(19,061)**	**138,418**
Net Cost of Police Services	**112,920**	**(1,301)**	**6,229**	**31,183**	**37,412**	**233**	**(19,161)**	**(18,927)**	**130,104**
Reported to Chief Officers in 2014/15									
Fees charges and other income	**(4,685)**	**(2)**	-	-	-	-	-	-	**(4,688)**
Government grants	**(1,008)**	**(3,556)**	-	-	-	-	-	-	**(4,564)**
Total Income	**(5,693)**	**(3,558)**	-	-	-	-	-	-	**(9,251)**
Employee expenses	**97,858**	**1,112**	(123)	32,111	31,988	116	(17,049)	(16,934)	**114,025**
Other service expenses	**19,334**	**1,266**		611	611	-	(636)	(636)	**20,575**
Depreciation and impairments	-	**9,794**			-		-	-	**9,794**
Total Operating Expenditure	**117,192**	**12,172**	**(123)**	**32,723**	**32,599**	**116**	**(17,685)**	**(17,569)**	**144,394**
Net Operating Expenditure	**111,499**	**8,614**	**(123)**	**32,723**	**32,599**	**116**	**(17,685)**	**(17,569)**	**135,143**

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

8. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a mechanism to set aside revenue funds for the redemption of debt. The Local Authorities (Capital Finance and Accounting) Regulations 2008 are issued under Section 21 of the Local Government Act 2003 and now allow authorities a variety of options in calculating their MRP. The options chosen were that MRP calculated using Option 2 be used for capital expenditure up to and including 31 March 2008, and Option 3 for all capital expenditure thereafter using the equal instalment method. Option 3 results in MRP charged in equal annual instalments over the asset's remaining useful life. Accounting for PFIs and Finance Leases require that on balance sheet assets are also funded through MRP, the amount charged is equivalent to the capital element of the liability repaid during the year. The total amount charged to MRP in 2015/16 was £665k (2014/15 - £638k).

9. Government Grants

The Group credited the following grants and contributions to the CIES during the year:

	Amount receivable for 15/16 £000	Amount receivable for 14/15 Restated £000
Credited to Taxation and Non Specific Grant Income		
General police grant	40,957	43,627
Council tax support grant	4,891	4,891
Council tax freeze grant	1,895	1,895
Capital grants and contributions	994	1,878
Non-domestic rate redistribution	22,998	23,772
Precepts	41,069	39,614
	112,803	**115,677**
Credited to Other Operating Expenditure		
Home Office contribution to police pensions	20,929	14,192
	20,929	**14,192**
Credited to Services		
Police incentivisation	333	87
Counter terrorism	80	613
PFI grant	2,734	2,734
Other specific grants	1,677	1,044
	4,824	**4,478**

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

	Amount receivable for 15/16 £000	Amount receivable for 14/15 Restated £000
Credited to Taxation and Non Specific Grant Income		
General police grant	40,957	43,627
Council tax support grant	4,891	4,891
Council tax freeze grant	1,895	1,895
Capital grants and contributions	994	1,878
Non-domestic rate redistribution	22,998	23,772
Precepts	41,069	39,614
	112,803	**115,677**
Credited to Other Operating Expenditure		
Home Office contribution to police pensions	20,929	14,192
	20,929	**14,192**
Credited to Services		
Police incentivisation	-	-
Counter terrorism	-	-
PFI grant	2,734	2,734
Other specific grants	1,548	736
	4,282	**3,470**

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

	31 March 2016 £000	31 March 2015 £000
Capital Grants Receipts in Advance		
Mobile data grant	214	278
	214	**278**

10. Employees' Remuneration

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

	GROUP		OPCC	
	2015/16	2014/15 Restated	2015/16	2014/15 Restated
Remuneration				
£50,000 - £54,999	11	7	-	-
£55,000 - £59,999	4	2	-	-
£60,000 - £64,999	1	1	-	-
£65,000 - £69,999	1	1	1	1
£70,000 - £74,999	1	1	-	1
£75,000 - £79,999	2	1	1	1
£80,000 - £84,999	2	-	-	-
£85,000 - £89,999	1	5	0.44	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	1	-	-	-
£100,000 - £104,999	-	1	-	1
£105,000 - £109,999	2	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 for the OPCC, 0.44 FTE relates to the CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.44 relates to the PCC share of the FTE based on salary paid.

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

	Salaries Fees and Allowances £000	Bonuses £000	Employers Pension Contributions £000	Benefits in Kind Estimates £000	Expenses £000	Total £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 19.7.14 to 30.9.15)	53	-	11	4	-	68
Assistant Chief Constable (Appointed 7.9.15)	57	-	13	3	-	73
Chief Finance Officer (CC) - 0.56 FTE (Appointed 1.5.15)	46	-	9	-	-	55
Police and Crime Commissioner	70	-	16	1	-	87
Chief Executive (PCC)	106	-	24	-	-	130
Deputy Chief Executive (PCC)	80	-	18	-	-	98
Chief Finance Officer (PCC) - 0.44 FTE	42	-	11	-	-	53
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
Police and Crime Commissioner	70	-	15	-	-	85
Chief Executive (PCC)	104	-	23	-	-	127
Deputy Chief Executive (PCC)	78	-	17	-	-	95
CFO (PCC) - 0.8 FTE	65	-	14	-	-	79

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.

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

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

11. Related Parties Transactions

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

During 2015/16 there were no material related party transactions involving officers of the PCC or senior officers of the Constabulary, other than those included under employees' remuneration set out in Note 10 of these financial statements. The PCC and other senior officers have been written to requesting details of any related party transactions and there are no disclosures.

Central Government has effective control over the general operations of the PCC, it is responsible for providing the statutory framework within which the PCC operates, provides the majority of its funding and prescribes the terms of many of the transactions that the PCC has with other parties. Income from central government is set out in Note 9 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements; these are fully disclosed in Note 34.

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

12. Council Tax

The Suffolk district and borough councils are required to collect the amount of council tax determined by the PCC for policing the county. In 2015/16 the precept, including the estimated 2014/15 collection fund surplus/(deficit) was paid to the PCC during the year and amounted to £40.9m distributed as shown below. The Code of Practice now requires that Council Tax income included in the CIES for the year, should be prepared on an accruals basis. The cash received from the billing authorities is therefore adjusted for the PCC’s share of the outturn opening and closing balances on the Collection Fund. These adjustments are however then taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS to ensure that only the statutory amount is credited to the General Fund. The figures credited to the CIES are broken down as follows:

2014/15 £000		Received from Billing Authority £000	surplus/(deficit) on Collection Fund at 31.3.15 £000	surplus/(deficit) on Collection Fund at 31.3.16 £000	Total 2015/16 £000
5,270	Babergh District Council	5,454	121	71	5,404
2,831	Forest Heath District Council	2,893	60	42	2,875
6,014	Ipswich Borough Council	6,396	245	189	6,340
5,769	Mid Suffolk District Council	6,009	86	144	6,068
5,972	St Edmundsbury Borough Council	6,090	145	203	6,148
7,915	Suffolk Coastal District Council	8,121	291	365	8,195
5,843	Waveney District Council	5,915	120	244	6,039
39,614		**40,878**	**1,067**	**1,258**	**41,069**

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

Balance at 31.3.15 £000		Collection Fund £000	Net Arrears £000	repayments £000	Balance at 31.3.16 £000
(21)	Babergh District Council	(71)	125	(25)	29
10	Forest Heath District Council	(42)	116	(90)	(16)
(4)	Ipswich Borough Council	(189)	287	(68)	29
40	Mid Suffolk District Council	(144)	140	(28)	(32)
(117)	St Edmundsbury Borough Council	(203)	140	(129)	(192)
(304)	Suffolk Coastal District Council	(365)	147	(199)	(417)
(31)	Waveney District Council	(244)	226	(168)	(186)
(428)		**(1,258)**	**1,182**	**(708)**	**(784)**

13. External Audit Fees

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

2014/15 £000		2015/16 £000
	The Group has incurred the following costs in relation to the audit of the Statement of Accounts:	
44	The PCC for Suffolk	33
24	The Chief Constable of Suffolk	15
68		**48**

The PCC fees payable in respect of external audit services are identified separately in the above table.

The 2015/16 audit fees include an amount of £1.5k, split between the PCC and CC, in respect of 2014/15 which had not been provided for but had been an approved increase to the original scale fees.

No audit fees have been payable for non-audit work.

14. Non-Current Assets

Movements in 2015-16	Land and buildings £000	Vehicles plant and equipment £000	Assets under con-struction £000	Surplus Assets £000	Total £000
Property, Plant & Equipment					
Historic cost or revaluation					
Balance at 1.4.15	50,586	26,156	2,562	-	79,304
Reclassifications	406	(21)	(2,224)	-	(1,839)
Restatement due to grossing up error on revaluations	-	-	-	-	-
Restatements	-	-	-	-	-
Additions	162	2,006	141	-	2,309
Derecognition - disposals	(91)	(865)	-	-	(956)
Derecognition - other	-	-	-	-	-
Revaluation gains/(losses) recognised in the CIES	(225)	-	-	-	(225)
Net revaluation gains/(losses) recognised in the Revaluation reserve	222	-	-	-	222
Balance at 31.3.16	**51,060**	**27,277**	**480**	**-**	**78,816**
Depreciation and impairments					
Balance at 1.4.15	3,502	16,895	-	-	20,397
Reclassifications	-	(21)	(25)	-	(45)
Revaluations	(128)	-	-	-	(128)
Impairments	-	-	-	-	-
Derecognition - disposals	(6)	(726)	-	-	(732)
Derecognition - other	-	-	-	-	-
Depreciation for the year	1,429	2,476	26	-	3,931
Balance at 31.3.16	**4,797**	**18,624**	**1**	**-**	**23,421**
Net book value at 31.3.15	47,084	9,262	2,562	-	58,908
Net book value at 31.3.16	**46,263**	**8,653**	**479**	**-**	**55,395**

	Software Licences £000
Purchased intangible assets	
Historic cost or revaluation	
Balance at 1.4.15	3,385
Reclassifications	1,839
Additions	929
Derecognition - disposals	-
Balance at 31.3.16	**6,153**
Amortisation	
Balance at 1.4.15	1,235
Reclassifications	45
Amortisation for the year	681
Derecognition - disposals	-
Balance at 31.3.16	**1,962**
Net book value at 31.3.15	2,149
Net book value at 31.3.16	**4,190**

Movements in 2014-15	Land and buildings £000 Restated	Vehicles plant and equipment £000	Assets under construction £000	Surplus Assets £000	Total £000
<u>Property, Plant & Equipment</u>					
Historic cost or revaluation					
Balance at 1.4.14	61,647	33,729	-	-	95,376
Reclassifications	-	-	758	-	758
Restatement due to grossing up error on revaluations	(794)	-	-	-	(794)
Restatements	-	-	-	-	-
Additions	115	2,330	1,804	-	4,249
Derecognition - disposals	(4,063)	(9,902)	-	-	(13,965)
Derecognition - other	-	-	-	-	-
Revaluation gains/(losses) recognised in the CIES	(7,680)	-	-	-	(7,680)
Net revaluation gains/(losses) recognised in the Revaluation reserve	1,362	-	-	-	1,362
Balance at 31.3.15	**50,588**	**26,157**	**2,562**	**-**	**79,307**
Depreciation and impairments					
Balance at 1.4.14	5,717	24,159	-	-	29,876
Reclassifications	-	-	-	-	-
Restatement due to grossing up error on revaluations	(794)	-	-	-	(794)
Revaluations	(2,513)	-	-	-	(2,513)
Impairments	-	-	-	-	-
Derecognition - disposals	(634)	(9,713)	-	-	(10,347)
Derecognition - other					
Depreciation for the year	1,727	2,449	-	-	4,176
Balance at 31.3.15	**3,503**	**16,895**	**-**	**-**	**20,398**
Net book value at 31.3.14	55,930	9,569	-	-	-
Net book value at 31.3.15	**47,084**	**9,262**	**2,562**	**-**	**58,908**

	Software Licences £000
<u>Purchased intangible assets</u>	
Historic cost or revaluation	
Balance at 1.4.14	4,478
Reclassifications	(758)
Restatements	-
Additions	248
Derecognition - disposals	(582)
Balance at 31.3.15	**3,386**
Amortisation	
Balance at 1.4.14	1,367
Amortisation for the year	452
Derecognition - disposals	(582)
Balance at 31.3.15	**1,237**
Net book value at 31.3.14	3,111
Net book value at 31.3.15	**2,149**

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

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

The depreciation and amortisation policy is set out on page 34. Assets have been depreciated on a straight-line basis over their economic useful lives.

15. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2015/16 are set out below.

2014/15 £000		2015/16 £000
37,166	Opening capital financing requirement	36,553
	Opening balance restatement	(27)
	Capital investment	
248	Intangible fixed assets	929
2,445	Operational assets	2,168
1,804	Non operational assets	141
	Sources of finance	
(1,916)	Capital receipts applied	(1,247)
(1,878)	Government grants and other contributions	(1,014)
(677)	Direct Revenue Contributions	(977)
(638)	Revenue provision including MRP	(665)
36,553	**Closing capital financing requirement**	**35,861**
	Explanation of movements in year	
(613)	Increase/(decrease) in underlying need to borrow	(692)
(613)	**Increase/(decrease) in capital financing requirement**	**(692)**

16. Non-Current Asset Valuation

Land and Buildings

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

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

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

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

Vehicles, Plant and Equipment and Software Licences

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

	Other Land and buildings £000	Vehicles plant and equipment £000	Assets under con--struction £000	Surplus Assets £000	Total £000
Carried at historical cost	3,026	8,653	479	-	12,158
Valued at fair value at:					
1 October 2015	2,073				2,073
3 October 2014	11,444				11,444
31 March 2014	786				786
1 October 2013	5,187				5,187
1 October 2012	3,585				3,585
31 March 2012	17,886	-	-	-	17,886
1 January 2012	330				330
31 March 2011	1,945	-	-	-	1,945
Balance at 31.3.16	**46,263**	**8,653**	**479**	**-**	**55,395**

17. Private Finance Initiative (PFI)

On 23 February 2010 Norfolk and Suffolk Police Authorities signed a 30 year PFI contract to construct and operate six Police Investigation Centres (PICs) within the two counties. Three of the PICs are shared, two between Norfolk and Suffolk and one between Norfolk and Cambridgeshire. In addition Norfolk operates a further two sites and Suffolk a further one. The land percentage splits on the Norfolk and Suffolk shared sites and the associated land values are disclosed in Note 14.

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

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

Sites and opening dates	Norfolk Cells	Suffolk Cells	Capital Contract Value £000	Historic Cost in Suffolk 31.3.16 £000	31.3.15 £000
Aylsham - 28.2.11	8	-	6,967	-	-
Wymondham - 4.4.11	30	-	11,398	-	-
Kings Lynn - 25.4.11	24	-	10,749	-	-
Ipswich - 6.6.11	-	30	12,012	12,012	12,012
Bury St Edmunds - 4.7.11	8	16	10,621	7,081	7,081
Gt Yarmouth - 7.11.11	15	15	12,680	6,340	6,340
	85	**61**	**64,427**	**25,433**	**25,433**

The PCC makes an agreed payment each year, which can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed, however 31.5% of the charge is increased annually by inflation (RPIX). Suffolk's share of the estimated payments remaining to be made under the PFI contract at 31 March 2016 (excluding availability/performance deductions) are as follows:

	Revenue Services £000	Capital Payments £000	Interest £000	Contingent Rent £000	Total £000
Payable in 2016/17	1,088	301	2,072	276	3,738
Payable within two to five years	5,584	1,488	8,007	221	15,300
Payable within six to ten years	7,497	2,704	9,166	613	19,980
Payable within eleven to fifteen years	9,277	4,085	7,784	(101)	21,045
Payable within sixteen to twenty years	10,852	6,172	5,698	(471)	22,251
Payable within twenty one to twenty five years	11,200	9,340	2,529	133	23,203
Payable within twenty six to thirty years	0	0	0	0	0
	45,498	**24,092**	**35,257**	**671**	**105,517**

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

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

	2015/16 £000	2014/15 £000
Balance outstanding at the beginning of the year	24,369	24,625
Capital repayments during the year	(278)	(256)
Capital expenditure incurred in the year	-	-
Other movements	-	-
Balance outstanding at year end	**24,092**	**24,369**

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

	2015/16 £000	2014/15 £000
Net book value at the beginning of the year	16,832	17,314
Depreciation during the year	(479)	(482)
Net book value at the end of the year	**16,353**	**16,832**

18. Retirement Benefits

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 Group'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 Group has arrangements for the payment of discretionary benefits to certain retired employees outside of the provisions of the schemes. The following transactions have been made in the CIES and the General Fund via the MIRS during the year:

Group:

	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	7,216	5,344	24,456	26,741
Past service costs	535	6	315	-
(Gain)/loss from settlement	-	-	-	-
Financing and investment income and expenditure				
Net interest expense	1,911	1,729	38,820	43,751
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service	**9,662**	**7,079**	**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)	2,245	(12,553)	24	7
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(3,223)	-
- Actuarial gains/losses arising from changes in financial assumptions	(21,597)	30,939	(118,396)	152,081
- Other	(1,019)	(1,009)	(27,856)	(223)
Total post employment benefit charged to the CIES	**(10,709)**	**24,456**	**(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	**10,709**	**(24,456)**	**85,860**	**(222,356)**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	6,236	5,563	-	-
Retirement benefits payable to pensioners	-	-	31,923	25,561
Net charge to the General Fund	**6,236**	**5,563**	**31,923**	**25,561**

PCC:

	LGPS 2015/16 £000	2014/15 £000	Police Schemes 2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs	173	123	-	-
Past service costs	-	-	-	-
(Gain)/loss from settlement	-	-	-	-
Financing and investment income and expenditure				
Net interest expense	30	26	-	-
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Service	**203**	**149**	**-**	**-**
Other post employment benefit charged to the CIES				
Return on plan assets (excluding the amount included in the net interest expense)	35	(173)	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(368)	488	-	-
- Other	665	(281)	-	-
Total post employment benefit charged to the CIES	**535**	**183**	**-**	**-**
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**(535)**	**(183)**	**-**	**-**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	117	115	-	-
Retirement benefits payable to pensioners				
Net charge to the General Fund	**117**	**115**	**-**	**-**

Assets and liabilities in relation to retirement benefits

Group:

	Local Government Pension Scheme 2015/16	2014/15	Police Pension Schemes 2015/16	2014/15
Present value of liabilities	(187,172)	(197,634)	(1,096,648)	(1,214,431)
Fair value of plan assets	145,121	138,638	-	-
Total Net liabilities	**(42,051)**	**(58,996)**	**(1,096,648)**	**(1,214,431)**

PCC:

	Local Government Pension Scheme 2015/16	2014/15	Police Pension Schemes 2015/16	2014/15
Present value of liabilities	(3,697)	(3,079)	-	-
Fair value of plan assets	2,338	2,138	-	-
Total Net liabilities	**(1,359)**	**(941)**	**-**	**-**

Reconciliation of present value of the scheme liabilities

Group:

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000
Opening Balance at 1 April	197,634	157,616	1,214,431	1,017,636
Current service cost	7,216	5,344	24,456	26,741
Interest cost	6,408	6,841	38,820	43,751
Contributions by scheme participants	1,586	1,505	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	(21,597)	30,939	(118,396)	152,081
- Other	(988)	(1,009)	(27,856)	(223)
Past service costs	535	6	315	-
Losses/(gains) on curtailment	-	-	-	-
Benefits Paid	(3,622)	(3,608)	(37,411)	(31,175)
Liabilities extinguished on settlements	-	-	-	-
Closing Balance at 31 March	**187,172**	**197,634**	**1,096,648**	**1,214,431**

PCC:

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000
Opening Balance at 1 April	3,079	3,218	-	-
Current service cost	173	123	-	-
Interest cost	101	103	-	-
Contributions by scheme participants	47	30	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(368)	488	-	-
- Other	704	(883)	-	-
Past service costs	-	-	-	-
Losses/(gains) on curtailment	-	-	-	-
Benefits Paid	(39)	-	-	-
Liabilities extinguished on settlements	-	-	-	-
Closing Balance at 31 March	**3,697**	**3,079**	**-**	**-**

Reconciliation of fair value of the scheme assets

Group:

	Funded Assets Local Government Pension Scheme 2015/16 £000	2014/15 £000	Unfunded Assets Police Pension Schemes 2015/16 £000	2014/15 £000
Opening fair value of scheme assets	138,638	117,513	-	-
Interest Income	4,497	5,112	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	(2,245)	12,553	(24)	(7)
Other	31	-	-	-
The effect of changes in foreign exchange rates				
Contributions from employer	6,236	5,563	31,923	25,561
Contributions from employees into the scheme	1,586	1,505	5,512	5,622
Benefits paid	(3,622)	(3,608)	(37,411)	(31,175)
Other	-	-	-	-
Closing fair value of Scheme Assets	**145,121**	**138,638**	**-**	**-**

PCC:

	Funded Assets Local Government Pension Scheme 2015/16 £000	2014/15 £000	Unfunded Assets Police Pension Schemes 2015/16 £000	2014/15 £000
Opening fair value of scheme assets	2,138	2,345	-	-
Interest Income	71	77	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	(35)	173	-	-
Other	39	(602)	-	-
The effect of changes in foreign exchange rates				
Contributions from employer	117	115	-	-
Contributions from employees into the scheme	47	30	-	-
Benefits paid	(39)	-	-	-
Other	-	-	-	-
Closing fair value of Scheme Assets	**2,338**	**2,138**	**-**	**-**

Total of Assets and Liabilities of the schemes

Group:

	Local Government Pension Scheme 2015/16 £000	2014/15 £000	Police Pension Schemes 2015/16 £000	2014/15 £000
Opening Balance at 1 April	(58,996)	(40,103)	(1,214,431)	(1,017,636)
Current service cost	(7,216)	(5,344)	(24,456)	(26,741)
Interest cost	(1,911)	(1,729)	(38,820)	(43,751)
Return on plan assets (excluding the amount included in the net interest expense)	(2,245)	12,553	(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	21,597	(30,939)	118,396	(152,081)
- Other	1,019	1,009	27,856	223
Past service costs	(535)	(6)	(315)	-
Contributions from Employers	6,236	5,563	31,923	25,561
Effect of Settlements	-	-	-	-
Closing Balance at 31 March	**(42,051)**	**(58,996)**	**(1,096,648)**	**(1,214,431)**

PCC:

	Local Government Pension Scheme		Police Pension Schemes	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Opening Balance at 1 April	(941)	(873)	-	-
Current service cost	(173)	(123)	-	-
Interest cost	(30)	(26)	-	-
Return on plan assets (excluding the amount included in the net interest expense)	(35)	173	-	-
Remeasurement (gains) and Losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	368	(488)	-	-
- Other	(665)	281	-	-
Past service costs	-	-	-	-
Contributions from Employers	117	115	-	-
Effect of Settlements	-	-	-	-
Closing Balance at 31 March	**(1,359)**	**(941)**	**-**	**-**

The total net pension liabilities of £1,139m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,100.7m (page 22). However, the financial position of the PCC remains sound as the liabilities will be spread over many years as follows:

- the net liability on the local government scheme will be covered by contributions over the remaining working life of employees, as assessed by the scheme actuary.

- the net costs of police pensions which are the responsibility of the PCC will be covered by provision in the revenue budget and any costs above that level will be funded by the Home Office, under the change which came into effect from April 2006.

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

The 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 Group's share of the assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of 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 2016	**31 March 2015**
	£000	**£000**
Cash and Cash Equivalents	**1,210**	**1,625**
Equity Instruments - industry type:		
- Consumer	11,261	10,383
- Manufacturing	4,335	4,776
- Energy and utilities	1,590	2,328
- Financial Institutions	6,009	6,000
- Health and Care	4,888	4,341
- Information Technology	3,885	2,492
- Other	1,617	1,404
Sub total Equity	**33,585**	**31,723**
Bonds - by Sector		
- Corporate	23,026	20,093
- Government	0	2,954
- Other	5,368	6,045
Sub total Bonds	**28,393**	**29,091**
Property - by type		
- UK Property	15,849	13,321
Sub total Property	**15,849**	**13,321**
Private equity - all:	**4,486**	**4,222**
Other Investment funds:		
- Equities	5,452	38,681
- Bonds	3,658	0
- Hedge Funds	0	5,348
- Commodities	38,903	0
- Infrastructure	13,033	3,119
- Other	0	11,504
Sub total Other Investment Funds	**61,045**	**58,652**
Derivatives:		
- Foreign Exchange	130	3
Sub total Derivatives	**130**	**3**
Total Assets	**144,698**	**138,638**

The PCC's share of the assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories:

	Fair Value of Scheme Assets	
	31 March 2016	**31 March 2015**
	£000	**£000**
Cash and Cash Equivalents	**20**	**25**
Equity Instruments - industry type:		
- Consumer	182	160
- Manufacturing	70	74
- Energy and utilities	26	36
- Financial Institutions	97	93
- Health and Care	79	67
- Information Technology	63	38
- Other	26	22
Sub total Equity	**543**	**489**
Bonds - by Sector		
- Corporate	372	310
- Government	0	46
- Other	87	93
Sub total Bonds	**459**	**449**
Property - by type		
- UK Property	256	205
Sub total Property	**256**	**205**
Private equity - all:	**73**	**65**
Other Investment funds:		
- Equities	88	597
- Bonds	59	0
- Hedge Funds	0	83
- Commodities	629	0
- Infrastructure	211	48
- Other	0	177
Sub total Other Investment Funds	**987**	**905**
Derivatives:		
- Foreign Exchange	2	0
Sub total Derivatives	**2**	**0**
Total Assets	**2,338**	**2,138**

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 2015/16	Local Government Pension Scheme 2014/15	Police Pension Schemes 2015/16	Police Pension Schemes 2014/15
Mortality assumptions:				
Longevity at 65 (LGPS) and 60 (PPS) for current pensioners				
Men	22.4	22.4	29.7	29.5
Women	24.4	24.4	31.6	31.7
Longevity at 65 (LGPS) and 60 (PPS) for future pensioners				
Men	24.3	24.3	31.2	31.1
Women	26.9	26.9	33.2	33.2
Rate of inflation (CPI - LGPS and RPI - PPS)	2.2%	0.0%	3.2%	3.3%
Rate of increase in salaries	4.2%	4.3%	4.3%	3.4%
Rate of increase in pensions	2.2%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%	3.2%	3.2%

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.

Group:

	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	12.0%	23,404	9.0%	103,518
1 year increase in member life expectancy	3.0%	5,603	3.0%	32,648
0.5% increase in the Salary Increase Rate	4.5%	8,745	1.0%	15,162
0.5% increase in the Pension Increase Rate	7.5%	14,142	8.0%	86,877

PCC:

	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	11.0%	399		
1 year increase in member life expectancy	3.0%	111		
0.5% increase in the Salary Increase Rate	4.0%	145		
0.5% increase in the Pension Increase Rate	7.0%	244		

Impact on the Group's cashflow

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 £5.7m on the LGPS and £22.5m on the Police schemes.

Maturity profile of the defined benefit obligation:

Group:

	LGPS			Police Pension Schemes		
	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	121,994	65.8%	27.1	433,885	41.2%	25.8
Deferred members	22,778	12.3%	25.9	41,598	4.0%	26.2
Pensioner members	40,687	21.9%	12.0	577,187	54.8%	12.0
Total	**185,459**	**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**

PCC:

	LGPS		
	Liability split as at 31 March 2016	Liability split as at 31 March 2016	Weighted Average Duration at Previous Formal Valuation
	£000	%	
Active members	3,052	100.0%	22.5
Deferred members	0	0.0%	0.0
Pensioner members	0	0.0%	0.0
Total	**3,052**	**100%**	**22.5**

19. Short-Term Investments

Surplus cash is invested for periods of up to one year in accordance with the approved treasury management policy. At 31 March 2016 temporary lending comprised:

	31 March 2016 £000	31 March 2015 £000
Money market and temporary cash deposits		
Banks	1,004	-
Building societies	5,023	4,020
Local Authorities	1,002	6,000
Total temporary lending	**7,028**	**10,020**
Represented by:		
Cash and cash equivalents	-	2,001
Short term investments	7,028	8,019

20. Debtors and Prepayments

	2015/16 £000	2014/15 £000
Short term debtors:		
Central government bodies (includes pension top up grant)	4,908	2,749
Other local authorities	2,835	1,822
NHS Bodies	11	-
Public Corporations & Trading Funds	-	
Other entities and individuals	1,395	1,547
Prepayments	1,002	1,784
Balance at 31 March	**10,151**	**7,902**
Long term debtors:		
Other local authorities	**1,309**	**1,309**

Long term debtors of £1.31m (2014/15 - £1.31m) relate to an amount due from West Yorkshire Police in respect of the airframe transferred to NPAS in 2012.

21. Cash and Cash Equivalents

	2015/16 £000	2014/15 £000
Imprest accounts	50	50
Bank current accounts	1,087	1,150
Instant access deposits with banks	3,546	3,046
Deposit with a maturtity date less than 3 months from acquisition	-	2,001
Balance at 31 March	**4,683**	**6,247**

22. Assets Held for Sale

	Current		Non-current	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Balance at 1 April	734	1,613	-	-
Assets newly classified as held for sale:				
Property, plant and equipment	-	-	-	-
Assets declassifed as held for sale:				
Property, plant and equipment	-	-		
Assets sold	(734)	(880)		
Balance at 31 March	**-**	**734**	**-**	**-**

23. Creditors

Group:

	2015/16 £000	2014/15 £000
Short term creditors:		
Central government bodies	1,805	1,943
Other local authorities	2,885	1,282
NHS Bodies	56	7
Public corporations and trading funds	-	5
Other entities and individuals	5,075	5,268
Balance at 31 March	**9,821**	**8,506**

PCC:

	2015/16 £000	2014/15 £000
Short term creditors:		
Central government bodies	1,805	1,943
Other local authorities	2,885	1,282
NHS Bodies	56	7
Public corporations and trading funds	-	5
Other entities and individuals	4,367	3,660
Balance at 31 March	**9,113**	**6,899**

24. 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.

25. Provisions

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

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

A provision has been made for exit packages to which the PCC is demonstrably committed to at 31 March 2016.

	Balance 1 April 2015 £000	Provision in year £000	Paid in year £000	Balance 31 March 2016 £000
Insurance claims	817	508	(423)	901
Exit packages	96	908	(67)	937
Total	**912**	**1,416**	**(490)**	**1,839**

26. Leases

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

Operating Leases:

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

	31 March 2016 £000	31 March 2015 £000
Not later than one year	143	135
later than one year but not later than five years	280	229
later than five years	32	62
	454	**426**

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

	2015/16 £000	2014/15 £000
Minimum lease payments	276	297
Contingent rents	84	20
	360	**317**

Finance Leases

During 2013 the PCC replaced the majority of its printers, photocopiers and fax machines with multi-functional devices. These were assessed as finance leases for accounting purposes. The repayment in the year of the finance lease capital liability is reflected by a Minimum Revenue Provision Charge to the General Fund. The lease agreements do not include contingent rent and liabilities fall due as follows:

	Capital Liabilities £000	Finance Cost £000	Contingent Rent £001	Total £000
Payable in 2016/17	84	6	-	90
Minimum Lease Payments	**84**	**6**	**-**	**90**

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

	2015/16 £000	2014/15 £000
Vehicles, plant, furniture and equipment	84	160
Other land and buildings	-	-
Net book value at the end of the year	**84**	**160**

27. Usable Reserves

Movements in the Group's and the PCC's usable reserves are detailed in the Movement in Reserves Statements on pages 16-19.

28. Earmarked Reserves

The movements in earmarked reserves in 2015/16 are analysed as follows:

	Note	Balance 1 April 2015 £000	Received £000	Applied £000	Reallocated £000	Balance 31 March 2016 £000
Revenue reserves:						
Ill health/injury benefits reserve	**(a)**	275	-	(275)	-	-
Budget reserve	**(b)**	7,116	102	(1,651)	(240)	5,327
Partnership reserve	**(c)**	194	129	(194)	-	129
PCC reserve	**(d)**	420	-	-	(220)	200
Capital Financing Reserve	**(e)**	1,669	-	(626)	-	1,043
Safety Camera Reserve	**(f)**	404	150	(180)	-	374
Change Reserve	**(g)**	1,044	-	(1,504)	460	-
PCC Crime & Disorder reserve	**(h)**	89	277	-	-	366
Total		**11,213**	**658**	**(4,431)**	**-**	**7,439**

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

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

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

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

(e) Capital Financing Reserve – earmarked for capital expenditure

Any balance on this reserve is committed to financing part of the capital programme.

(f) Safety Camera Reserve
This reserve is made up of prior years' underspends against the Safety Camera approved annual budget and a provision made in respect of the Prosecutions team.

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

(h) PCC Crime and Disorder Reserve
This reserve is made up underspends against the Commissioning budget which have been earmarked to fund future initiatives.

29. Unusable Reserves

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

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

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

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

Movements in unusable reserves are summarised in the Movement in Reserves Statement and are shown in detail below. The first two tables provide the position for the Group; the second two tables provide the position for the PCC.

Group 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	**(1,273,426)**	**3,927**	**21,300**	**1,067**	**1,309**	**(1,615)**	**(1,247,437)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	169,822	222	-	-	-	-	**170,044**
Total comprehensive income and expenditure	**169,822**	**222**	-	-	-	-	**170,044**
Amortisation of intangible assets	-	-	(681)	-	-	-	**(681)**
Depreciation on property, plant and equipment	-	(204)	(3,727)	-	-	-	**(3,931)**
Revaluation losses on property, plant and equipment	-	-	(97)	-	-	-	**(97)**
Capital grants and contributions credited to the CIES	-	-	994	-	-	-	**994**
Application of capital grants from unapplied account	-	-	21	-	-	-	**21**
Net gain or loss on the sale of non-current assets	-	(66)	(891)	-	-	-	**(957)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those	-	-	-	-	-	-	
calculated in accordance with statutory requirements	(56,023)	-	-	-	-	-	**(56,023)**
Movement on the collection fund adjustment account	-	-	-	190	-	-	**190**
Capital expenditure charged to the General Fund Balance	-	-	977	-	-	-	**977**
Statutory provision for the repayment of debt	-	-	665	-	-	-	**665**
Contribution to the Police Pension Fund	20,929	-	-	-	-	-	**20,929**
Movement on the Compensated Absences Account	-	-	-	-	-	907	**907**
Use of capital receipts to fund asset purchases	-	-	1,247	-	-	-	**1,247**
Adjustments between accounting basis and funding basis under regulations	**(35,094)**	**(270)**	**(1,492)**	**190**	**-**	**907**	**(35,758)**
Net increase / decrease before transfers to Earmarked Reserves	**134,728**	**(48)**	**(1,492)**	**190**	**-**	**907**	**134,286**
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	**134,728**	**(48)**	**(1,492)**	**190**	**-**	**907**	**134,286**
Balance at 31 March 2016	**(1,138,697)**	**3,879**	**19,809**	**1,258**	**1,309**	**(708)**	**(1,113,151)**

Group 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	**(1,057,737)**	**4,701**	**28,319**	**419**	**1,309**	**(1,718)**	**(1,024,709)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(169,242)	1,362	-	-	-	-	**(167,880)**
Total comprehensive income and expenditure	**(169,242)**	**1,362**	-	-	-	-	**(167,880)**
Amortisation of intangible assets	-	-	(452)	-	-	-	**(452)**
Depreciation on property, plant and equipment	-	(157)	(4,019)	-	-	-	**(4,176)**
Revaluation losses on property, plant and equipment	-	-	(5,167)	-	-	-	**(5,167)**
Capital grants and contributions credited to the CIES	-	-	1,868	-	-	-	**1,868**
Application of capital grants from unapplied account	-	-	38	-	-	-	**38**
Net gain or loss on the sale of non-current assets	-	(1,979)	(2,522)	-	-	-	**(4,501)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those	-	-	-	-	-	-	
calculated in accordance with statutory requirements	(60,637)	-	-	-	-	-	**(60,637)**
Movement on the collection fund adjustment account	-	-	-	649	-	-	**649**
Capital expenditure charged to the General Fund Balance	-	-	677	-	-	-	**677**
Statutory provision for the repayment of debt	-	-	638	-	-	-	**638**
Contribution to the Police Pension Fund	14,192	-	-	-	-	-	**14,192**
Movement on the Compensated Absences Account	-	-	-	-	-	103	**103**
Use of capital receipts to fund asset purchases	-	-	1,919	-	-	-	**1,919**
Adjustments between accounting basis and funding basis under regulations	**(46,446)**	**(2,136)**	**(7,019)**	**649**	-	**103**	**(54,848)**
Net increase / decrease before transfers to Earmarked Reserves	**(215,687)**	**(774)**	**(7,019)**	**649**	-	**103**	**(222,728)**
Transfers to / from earmarked reserves	-	-		-	-	-	-
Increase / decrease in year	**(215,687)**	**(774)**	**(7,019)**	**649**	-	**103**	**(222,728)**
Balance at 31 March 2015	**(1,273,426)**	**3,927**	**21,300**	**1,067**	**1,309**	**(1,615)**	**(1,247,439)**

PCC 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	**(940)**	**3,928**	**21,300**	**1,067**	**1,309**	**(8)**	**26,656**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(332)	222	-	-	-	-	**(110)**
Total comprehensive income and expenditure	**(332)**	**222**	**-**	**-**	**-**	**-**	**(110)**
Amortisation of intangible assets	-	-	(681)	-	-	-	**(681)**
Depreciation on property, plant and equipment	-	(204)	(3,727)	-	-	-	**(3,931)**
Revaluation losses on property, plant and equipment	-	-	(97)	-	-	-	**(97)**
Capital grants and contributions credited to the CIES	-	-	994	-	-	-	**994**
Application of capital grants from unapplied account	-	-	21	-	-	-	**21**
Net gain or loss on the sale of non-current assets	-	(66)	(891)	-	-	-	**(957)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those	-	-	-	-	-	-	
calculated in accordance with statutory requirements	(86)	-	-	-	-	-	**(86)**
Movement on the collection fund adjustment account	-	-	-	190	-	-	**190**
Capital expenditure charged to the General Fund Balance	-	-	977	-	-	-	**977**
Statutory provision for the repayment of debt	-	-	665	-	-	-	**665**
Contribution to the Police Pension Fund	-	-	-	-	-	-	-
Movement on the Compensated Absences Account	-	-	-	-	-	8	**8**
Use of capital receipts to fund asset purchases	-	-	1,247	-	-	-	**1,247**
Adjustments between accounting basis and funding basis under regulations	**(86)**	**(270)**	**(1,492)**	**190**	**-**	**8**	**(1,650)**
Net increase / decrease before transfers to Earmarked Reserves	**(418)**	**(48)**	**(1,492)**	**190**	**-**	**8**	**(1,760)**
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	**(418)**	**(48)**	**(1,492)**	**190**	**-**	**8**	**(1,760)**
Balance at 31 March 2016	**(1,358)**	**3,879**	**19,808**	**1,258**	**1,309**	**-**	**24,896**

PCC 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	**(872)**	**4,701**	**28,319**	**419**	**1,309**	**-**	**33,873**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	-
Other comprehensive income and expenditure	(34)	1,362	-	-	-	-	**1,328**
Total comprehensive income and expenditure	**(34)**	**1,362**	**-**	**-**	**-**	**-**	**1,328**
Amortisation of intangible assets	-	-	(452)	-	-	-	**(452)**
Depreciation on property, plant and equipment	-	(157)	(4,019)	-	-	-	**(4,176)**
Revaluation losses on property, plant and equipment	-	-	(5,167)	-	-	-	**(5,167)**
Capital grants and contributions credited to the CIES	-	-	1,868	-	-	-	**1,868**
Application of capital grants from unapplied account	-	-	38	-	-	-	**38**
Net gain or loss on the sale of non-current assets	-	(1,978)	(2,523)	-	-	-	**(4,501)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Difference between IAS 19 pension costs and those	-	-	-	-	-	-	
calculated in accordance with statutory requirements	(34)	-	-	-	-	-	**(34)**
Movement on the collection fund adjustment account	-	-	-	649	-	-	**649**
Capital expenditure charged to the General Fund Balance	-	-	677	-	-	-	**677**
Statutory provision for the repayment of debt	-	-	638	-	-	-	**638**
Contribution to the Police Pension Fund	-	-	-	-	-	-	-
Movement on the Compensated Absences Account	-	-	-	-	-	(8)	**(8)**
Use of capital receipts to fund asset purchases	-	-	1,919	-	-	-	**1,919**
Adjustments between accounting basis and funding basis under regulations	**(34)**	**(2,135)**	**(7,019)**	**649**	**-**	**(8)**	**(8,548)**
Net increase / decrease before transfers to Earmarked Reserves	**(68)**	**(773)**	**(7,019)**	**649**	**-**	**(8)**	**(7,220)**
Transfers to / from earmarked reserves	-	-	-	-	-	-	-
Increase / decrease in year	**(68)**	**(773)**	**(7,019)**	**649**	**-**	**(8)**	**(7,220)**
Balance at 31 March 2015	**(940)**	**3,928**	**21,300**	**1,067**	**1,309**	**(8)**	**26,656**

30. Movements in Cash

1 April 2014 £000	31 March 2015 £000		1 April 2015 £000	31 March 2016 £000
16,937	6,247	Cash and cash equivalents	6,247	4,683
16,937	6,247	Cash inflows	6,247	4,683
	(10,690)	**Increase / (decrease) in cash and cash equivalents**		**(1,564)**

31. Cash Flow Statement –Investing and Financing Activities

2014/15 £000		2015/16 £000
	Cash Flow Statement - Investing Activities	
3,549	Purchase of non current assets	2,747
	Other payments for investing activities	
20,000	Purchase of short-term or long term investments	7,000
(2,000)	Proceeds from the sale of non currents assets	(1,247)
(14,000)	Proceeds from short-term or long-term investments	(8,000)
(1,735)	Other receipts from investing activities	(930)
5,814	**Cash outflow**	**(430)**
	Cash Flow Statement - Financing Activities	
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activiities	-
323	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	353
260	Repayments of short and long-term borrowing	272
583	**Cash outflow**	**625**

32. Reconciliation of Revenue Cash Flow

Group:

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
		Adjustment for non cash or cash equivalent items within deficit on provision of services:		
9,794		Depreciation and impairments		4,709
2,498		Profit and loss on disposal of fixed assets		(290)
46,446		Movements on pension liability		35,094
-	-	Other		-
58,738				39,512
	(3,535)	Increase/(decrease) in revenue creditors	1,577	
	(1,466)	decrease/(increase) in revenue debtors	(3,016)	
	(29)	decrease/(increase) in stocks	178	
	42	Increase/(decrease) in revenue provisions	926	
	-	Increase/(decrease) in grants received in advance	-	
(4,988)				(335)
53,749				**39,177**
		The cash flows for operating activities include:		
3,057		Interest paid and similar charges		2,877
(139)		Interest received		(124)

PCC:

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
		Adjustment for non cash or cash equivalent items within deficit on provision of services:		
9,794		Depreciation and impairments		4,709
2,498		Profit and loss on disposal of fixed assets		(290)
34		Movements on pension liability		86
-		Other		-
12,326				4,505
	(3,424)	Increase/(decrease) in revenue creditors	2,475	
	(1,466)	decrease/(increase) in revenue debtors	(3,016)	
	(29)	decrease/(increase) in stocks	178	
	42	Increase/(decrease) in revenue provisions	926	
	-	Increase/(decrease) in grants received in advance	-	
(4,877)				564
7,449				**5,069**
		The cash flows for operating activities include:		
3,057		Interest paid and similar charges		2,877
(139)		Interest received		(124)

33. Financial Instruments

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

	Current		Long Term	
	31.3.16 £000	31.3.15 £000	31.3.16 £000	31.3.15 £000
Investments				
Loans and receivables	7,028	10,020	-	-
	7,028	**10,020**	**-**	**-**
Debtors				
Balances per Balance Sheet	10,151	7,902	1,309	1,309
Balances relating to Council Tax	(2,024)	(1,683)	-	-
Prepayments	(1,002)	(1,784)	-	-
Loans and receivables	**7,125**	**4,434**	**1,309**	**1,309**
Borrowings				
Financial borrowings at amortised cost	-	-	8,801	9,077
Financial liabilities at fair value	-	-	-	-
	-	**-**	**8,801**	**9,077**
Other long term liabilities				
PFI and finance lease liabilities	386	-	23,790	24,529
	386	**-**	**23,790**	**24,529**
Creditors				
Balances per Balance Sheet	9,821	8,506	214	278
Balances relating to Council Tax	(766)	(616)	-	-
Balances relating to Compensated Absences	(708)	(1,615)	-	-
Financial liabilities at amortised cost	8,347	6,275	214	278
Financial liabilities carried at contract amount	-	-	-	-
	8,347	**6,275**	**214**	**278**

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

	2015/16			2014/15		
	Financial Liabilities at amortised cost	Loans and receivables	Total	Financial Liabilities at amortised cost	Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Expense						
Interest expense	2,508	-	2,508	2,547	-	2,547
Fee expense	-	-	0	-	-	0
Contingent rent on PFI	366	-	366	504	-	504
Total in Surplus or Deficit on the Provision of Services	2,873	-	2,873	3,052	-	3,052
Income						
Interest income	-	(134)	(134)	-	(141)	(141)
Total in Surplus or Deficit on the Provision of Services	**2,873 -**	**134**	**2,740**	**3,052 -**	**141**	**2,911**

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

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

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

	31 March 2016		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities				
PWLB loan	8,801	11,502	9,077	11,775
	8,801	**11,502**	**9,077**	**11,775**

The fair value of the liabilities in 2015/16 is higher than the carrying amount because the rate payable for the PWLB loan is higher than the prevailing rate at the balance sheet date.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the PCC
- Liquidity risk – the possibility that the PCC might not have funds available to meet its commitments to make payments

- Market risk – the possibility that financial loss might arise for the PCC as a result of changes in such measures as interest rates and stock market movements.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers. Deposits are not made with banks, financial institutions and other local authorities unless they are rated P1 by Moody's. In 2015/16, the PCC has a policy not to lend any more than £5m to any individual financial institution or authority, however increases in temporary lending limits are occasionally authorised for specific banks or institutions.

The PCC's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all the PCC's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

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

	Amount at 31.3.16 £000	Historical experience of default %	Adjusted for market conditions %	Estimated exposure to default £000
Customers	1,478	0.1%	0.1%	1
	1,478			**1**

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

Of the £1,478k outstanding from customers £281k is past its due date for payment at the year-end. The past due amount can be analysed by age as follows:

	Amount Due 31.3.16 £000	Amount Due 31.3.15 £000
Less than three months	118	161
Three to six months	8	25
Six months to one year	155	1
More than one year		140
	281	**326**

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

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

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

A 1% increase in interest rates would only have a material effect on the fair value of borrowings. It would reduce the liability by £982k.

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

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

34. Collaborative Arrangements

Norfolk and Suffolk Constabularies have implemented and are developing ways in which both forces can work together to improve performance and to make financial savings. Currently the forces are focusing on Protective Services, Justice Services, 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. 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	-	-
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)
Deficit/ (Surplus) for the year	-	301

35. 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.

36. Capital Commitments

Significant commitments under capital contracts as at 31 March 2016 are analysed as follows:

2014/15 £000		2015/16 £000
176	Body Armour	
73	Workflow and Case Management System	
889	ICCS Upgrade	
-	Towed Welfare Units	55
1,138	**Total committed**	**55**

37. Prior Period Adjustments, changes in Accounting Policies, Estimates & Errors

Amendments which have been made to the 2014/15 brought forward comparatives and the reasons for the restated position are disclosed below for completeness. Some presentational enhancements have also been made to the statements as detailed in the narrative statement.

Home Office contribution to police pensions

In the 2014/15 audited accounts, the Home Office grant to top up the shortfall on the police pension fund was credited to Taxation and Non-Specific Grant Income. The correct treatment required by the Code of Practice is to credit this grant to Other Operating Expenditure. The effects of the restatement are shown in the tables below. There is no impact on the balance sheet, cash flow statement or movement in reserves statement, however the presentation of Note 9 (Government Grants) has also been amended.

Comprehensive Income and Expenditure Statement – Group

	Audited Statements			Change			Restated comparators		
	Gross Expenditure 2015/16 £000	Income 2015/16 £000	Net Expenditure 2015/16 £000	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000	Gross Expenditure 2014/15 £000	Income 2014/15 £000	Net Expenditure 2014/15 £000
Net Cost of Police Services	**146,989**	**(11,845)**	**135,143**	**-**	**-**	**-**	**146,988**	**(11,845)**	**135,143**
Other Operating Expenditure:									
Home Office contribution to police pensions				-	(14,192)	(14,192)	-	(14,192)	(14,192)
	2,498	**-**	**2,498**	**-**	**(14,192)**	**(14,192)**	**2,498**	**(14,192)**	**(11,694)**
Taxation and Non-specific Grant Income:									
Home Office contribution to Police Pensions	-	(14,192)	(14,192)	-	14,192	14,192	-	-	-
	-	**(129,869)**	**(129,869)**	**-**	**14,192**	**14,192**	**-**	**(115,677)**	**(115,677)**
Deficit/(Surplus) on the Provision of Services			**56,163**			**-**			**56,163**

Comprehensive Income and Expenditure Statement – PCC

	Audited Statements			Change			Restated comparators		
	Gross Expenditure 2015/16	Income 2015/16	Net Expenditure 2015/16	Gross Expenditure 2014/15	Income 2014/15	Net Expenditure 2014/15	Gross Expenditure 2014/15	Income 2014/15	Net Expenditure 2014/15
Net Cost of Police Services before group funding	**12,165**	**(3,558)**	**8,607**	**-**	**-**	**-**	**12,165**	**(3,558)**	**8,607**
Other Operating Expenditure:									
Home Office contribution to police pensions	-	-	-	-	(14,192)	(14,192)	-	(14,192)	(14,192)
	2,498	**-**	**2,498**	**-**	**(14,192)**	**(14,192)**	**2,498**	**(14,192)**	**(11,694)**
Taxation and Non-specific Grant Income:									
Home Office contribution to police pensions		(14,192)	(14,192)	-	14,192	14,192	-	-	-
	-	**(129,869)**	**(129,869)**	**-**	**14,192**	**14,192**	**-**	**(115,677)**	**(115,677)**
Deficit/(Surplus) on the Provision of Services			**9,863**			**-**			**9,863**

Police Pension Fund Accounting Statements

Fund Account

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

Glossary of terms

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

Accruals basis

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

Actual return on plan assets

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

Actuarial gains and losses

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

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

Capital expenditure

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

Capital Receipt

Income derived from the sale or disposal of a non-current asset.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Contingent liability

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

Corporate and democratic core

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

Current Service Costs

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

Defined benefit scheme

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

Defined contribution scheme

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

Depreciation

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

Emoluments

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

Non-Current assets

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

Glossary

An explanation of terms used

Government grants

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

Group

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

Impairment

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

Intangible non-current assets

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

Net book value

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

Net current replacement cost

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

Net realisable value

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

Non-Distributed Costs

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

Non-operational assets

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

Operational assets

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

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.

PCC

Reference to PCC within these Financial Statements relate to the entity of the Police and Crime Commissioner for Suffolk unless otherwise stated.

Projected Unit Method

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

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

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

Precept

The proportion of the budget raised from council tax.

Provision

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

PWLB

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

Related parties

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

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

Retirement Benefits

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

Scheme Liabilities

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

Settlement

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

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

Stocks

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

Useful life

The period over which the PCC will derive benefits from the use of a non-current asset.

Vested Rights

In relation to a defined benefit scheme, these are:

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

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