



SUFFOLK
CONSTABULARY

**THE CHIEF CONSTABLE OF
SUFFOLK CONSTABULARY**

STATEMENT OF ACCOUNTS

31 March 2019

Statement of Accounts
for the year ended 31 March 2019

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INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR SUFFOLK

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Statement of Responsibilities for the Statement of Accounts

The Chief Constable of Suffolk Constabulary's Responsibilities

The Chief Constable for Suffolk must:

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

I approve the following Statement of Accounts:

Stephen Jupp

Chief Constable of Suffolk Constabulary

The Chief Finance Officer of the Chief Constable Responsibilities

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

In preparing this statement of accounts, the CFO Chief Constable has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice and its application to local authority accounting.

The CFO Chief Constable has also:

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

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

I certify that this statement of accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Chief Constable of Suffolk Constabulary at 31 March 2019, and its income and expenditure for the year to that date.

Kenneth Kilpatrick BCom MSc ACA

Chief Finance Officer

NARRATIVE REPORT

Introduction

This Narrative Report provides information about the Chief Constable of Suffolk, including the key issues affecting the Group and its accounts. It also provides a summary of the financial position at 31 March 2019, 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 2018/19 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 Chief Constable for Suffolk

Under the Police Reform and Social Responsibility Act 2011 (the Act) the Police and Crime Commissioner for Suffolk (PCC) and the Chief Constable for Suffolk Constabulary were established as separate legal entities. Corporate governance arrangements for the PCC and Chief Constable have been reviewed and a commentary on their effectiveness is set out in the Annual Governance Statements for the PCC and Chief Constable which are published alongside these Statements of Accounts.

The responsibilities of the Chief Constable, determined by the Act, include:

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

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

The County of Suffolk

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



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.

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.

Suffolk Constabulary polices a population of over 750,000 residents. The county's population has grown by just under 10% over the last 14 years and is expected to rise over the next five years to an estimated 780,000 residents. The Suffolk population is projected to age over the next few years. By 2021 persons aged 45 years and over are expected to form over 50% of the population, compared to around 47% in 2012. The proportion of minority ethnic communities in Suffolk has risen from just under 3% in 2001 to just under 5% in 2011, with the greatest proportions in Ipswich and Forest Heath. The Constabulary continues to respond 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.

Tourism plays a key role in the economy of Suffolk. In 2011 tourism was worth just over £1 billion to the economy and provided nearly 30,000 jobs. By 2017, the value of tourism increased to £2 billion and there were nearly 42,500 associated jobs.

Collaboration and partnership working

The Police Reform and Social Responsibility Act 2011 places duties on chief officers and policing bodies to keep collaboration activities under review and to collaborate where it is in the interests of the efficiency and effectiveness of their own and other police force areas.

Suffolk Constabulary's primary partner for collaboration is Norfolk Constabulary. A joint strategy exists which outlines the collaborative vision for Suffolk and Norfolk, and provides a strategic framework within which collaborative opportunities are progressed.

The two police forces have an extensive collaboration, with the programme of collaborative work delivering a number of joint units and departments in areas such as major investigation, protective services, custody, and back office support functions.

Areas of collaboration outside of Norfolk/Suffolk include Eastern Region Special Operations Unit (ERSOU), a specialist unit with a remit for tackling serious and organised crime in the Eastern Region. ERSOU comprises of resources from the following police forces: Norfolk, Suffolk, Essex, Cambridgeshire, Bedfordshire, Hertfordshire and Kent.

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

Suffolk is also part of a 10 force consortium for insurance known as the South East and Eastern Regional Police Insurance Consortium.

The Policing and Crime Act 2017 received Royal Assent on 31 January 2017. The Act brings with it a duty in England for emergency services to collaborate. It also gives the opportunity for PCCs in England to take over the governance of their local fire and rescue services should a business case demonstrate this is in the interests of the local communities. This is an issue that the PCC will keep under review.

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.

2. Impact of the governance arrangements on the Financial Statements of the PCC and Chief Constable

The International Accounting Standards Board framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' economic benefits associated with the item 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 shown in the accounts of the PCC and Group.

The PCC receives all income and makes all payments from the Police Fund for the Group and has responsibility for entering into contracts and establishing the contractual framework under which the

CC's staff operates. The PCC has not set up a separate bank account for the Chief Constable, which reflects the fact that all income is paid to the PCC. The PCC has not made arrangements for the carry forward of balances or for the Chief Constable to hold cash backed reserves.

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

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

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

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

3. Explanation of financial statements

The 2018/19 Statement of Accounts for the Chief Constable of Suffolk are set out on the following pages. The purpose of individual primary statements is explained below:

- **The Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Adjustments made between the accounting and funding bases are shown in the Movement in Reserves Statement and the associated notes.
- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets of the Chief Constable (assets less liabilities) are matched by the reserves held by the Chief Constable.
- **The Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the Chief Constable. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- **The Cash Flow Statement** shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Chief Constable generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. However, during 2018/19 all cash is held by the PCC for Suffolk so the cash flow statement for the Chief Constable shows the net deficit on the provision of services as non-cash movements.

Please note that occasionally minor differences occur between the primary statements and the notes to the accounts, this is due to unavoidable rounding discrepancies. There have been minor presentational changes in some of the notes in an effort to simplify the Statements.

The Group Accounting Policies are disclosed in Note 1 of the Notes to the Financial Statements. Some of these policies, although relevant to the Group are not applicable to the Chief Constable.

4. The 2018/19 Revenue and Capital Budget Process

A joint (Suffolk and Norfolk) financial planning process took place between September 2017 and January 2018 in accordance with an agreed timetable. An enhanced Service and Financial Planning process took place using Outcome Based Budgeting (OBB) principles, and a new OBB modelling tool.

OBB is a method for aligning budgets to demand, performance, outcomes and priorities. This approach analyses the activity spending of the entire Force, in terms of budgets, establishment, performance, demand and outcomes. This information is then lined up against the priorities and demands of the Constabulary and PCC. This allows projects to be developed to target areas that can be made more efficient, and those areas requiring more investment.

These outcomes were then reviewed by a Joint Chief Officer Panel against the OBB principles and decisions made about limiting growth and increasing savings.

These outputs were then presented to the Joint Chief Officer Team, and further refined after these sessions. Finally the outcomes of the process were presented to the PCC. The process concluded with agreement on Suffolk only budgets, the agreement of joint budgets, costs and savings arising from the process to be included in spending plans.

In accordance with the requirements of Section 96 (1) (b) of the Police Act 1996, as amended by section 14 of the Police Reform and Social Responsibility Act 2011, the PCC has an obligation to obtain the views of ratepayer representatives. Accordingly, the proposals for expenditure were made available to business representatives during January 2018 to enable them to comment upon the proposals.

In addition, a council tax precept survey was undertaken with members of the public.

The results were collated towards the end of January 2018 and presented by the PCC to the Police and Crime Panel at its meeting on 26 January 2018.

These spending plans were then incorporated into the Medium-Term Financial Plan (MTFP) of the PCC covering the period 2018/19 to 2021/22 which was approved by the PCC on 16 January 2018.

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

5. Financial Performance

Savings plans

The Chief Constable has run a well-established and effective change programme over recent years. The programme was initially developed to address the savings requirements arising from the spending reviews of 2010 and 2013 that covered the period up to 2015/16, and is still required to deal with the spending challenges from inflation, increasing demand, the changing nature of crime and ongoing investment in modernising the Constabulary through improved digital infrastructure and technology.

Savings plans of £2.349m were identified for 2018/19, and these savings were achieved. As a result of service pressures, the Constabulary is required to achieve savings of £2.043m in 2019/20. The PCC and Chief Constable are jointly committed to providing the best possible policing service across Suffolk whilst at the same time increasing efficiency and reducing costs.

There is more information about the impact of the Home Office settlement for 2019/20 and what this means for the Constabulary over the medium-term in the Looking Forward section below.

Long Term Liabilities

Pension Liabilities

The Chief Constable 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:

	Total	Officers	Staff
Year-end			
31 March 2019	£1,484 m	£1,417 m	£67 m
31 March 2018	£1,344 m	£1,299 m	£45 m

These liabilities result in the Balance Sheet showing net overall liabilities of £1,484m at 31 March 2019, however, the financial position of the PCC remains sound as these liabilities will be spread over many years.

Reserves

The Chief Constable does not hold any usable reserves.

Annual Governance Statement

The Accounts and Audit Regulations require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. The AGS can be found on the PCC's website at www.suffolk-pcc.gov.uk

6. Non-financial performance

Like most police forces in England and Wales, crime reported to and recorded by Suffolk Constabulary has risen. In the 12 months to the end of March 2019, there were 54,833 recorded crimes, 12% more than the long-term average. These rises reflect considerable efforts made by officers and staff to encourage reporting from victims of 'hidden' crimes, and those from parts of the community which have not normally reported crime frequently. The Constabulary has also invested resources in ensuring its recording of crime is as comprehensive as possible. The results of these strategies has been rises in violence, sexual crime and domestic abuse.

The Constabulary continues to prioritise services to vulnerable and at risk victims, and perpetrators who cause the highest harm. The Force continues robust operational responses to the threat of 'county lines' organised crime groups, to modern slavery, and to sexual crimes against adults and children. Collaborations with Norfolk Constabulary, the regional special operations unit (ERSOU), the seven force collaboration and other Suffolk agencies and voluntary organisations, and investments in modern technologies such as automated number plate recognition, mobile computing devices and body worn video cameras are critical parts of these responses.

The Constabulary also continues to prioritise community issues through investment in its safer neighbourhood teams and rural crime team. The Suffolk 2025 project continues to develop evidence based initiatives to reduce demand and improve efficiency enabling officers to spend more time engaging with communities and responding to local needs. Accessibility, in all its forms, is important to the Constabulary, which has invested in a new telephony system and has made it easier to report crimes online.

The Police and Crime Plan 2016-2020 lists the priorities for tackling crime in Suffolk:

- Child Sexual Abuse
- Domestic Abuse

- Serious Sexual Offences
- Online Crime
- Hate Crime
- Rural Crime
- Business Crime
- Emergency Response
- Public Confidence
- Road Safety

The following table shows the 'year-end' position for selected Police and Crime Plan key performance indicators as at the 31st March 2019.

Area	Indicator	2017/18	2018/19
Domestic Abuse	Number of crimes	6,016	7,895
	Solved rate	18%	16%
Serious Sexual Offences	Number of crimes	1,673	1,891
	Solved rate	6%	6%
Child Sexual Abuse	Number of crimes	740	1,086
	Solved rate	15%	9%
Business Crime		7,461	7,723
		28%	27%
Hate Crime	Number of crimes	1,139	998
	Solved rate	9%	16%
Online Crime	Number of crimes	1,205	1,377
	Solved rate	12%	11%
Call Handling	% 999 calls answered in 10 seconds	91%	92% (June 18 – March 19)
Emergency Response	% of emergencies responded to in target time	90%	91%
Road Safety	Number of KSI collisions	242	274

Demands on the Constabulary have changed in nature in recent years. Suffolk Constabulary is experiencing rising volumes of increasingly complex demand, especially in terms of safeguarding, which has negatively impacted solved rates. The force continues to prioritise the most harmful crime types such as domestic abuse and serious sexual offences, whilst maintaining strong performance in emergency call handling and response. The constabulary continues to robustly enforce against road users that speed, fail to wear seatbelts, use mobile phones whilst driving, and drive under the influence of drink and drugs - these impact upon the number of people killed and seriously injured in road traffic collisions.

7. Looking Forward

Since 2010 the financial context for policing has been very challenging. The "cash" Suffolk receives now (main grant, precept and specific grants) is still less than it received in 2010/11. When taking account of actual pay inflation, and average inflation for non-pay, this equates to £17m in real terms since 2010.

As well as needing to accommodate general inflationary pressures on pay and prices, over recent years the Constabulary has had to absorb other cost pressures such as the impact of funding recent pension increases for officers (that hitherto were funded centrally), the Apprenticeship Levy, changes to National Insurance and insurance premium tax (to name but a few). Legislative and regulatory changes also create cost pressures that have to be absorbed for example changes to the Bail Act, the forthcoming introduction of the Police Education Qualification Framework (PEQF) from 2020/21, which will also have

a cost impact in 2019/20, and the introduction of tighter regulation around forensic evidence. No additional funding is provided for these pressures.

In common with other forces across the country, the Constabulary continues to face significant service pressures due to the changing nature of crime. Whilst Suffolk remains a safe county, the Constabulary is dealing with continuing increases in reports of knife crime and youth violence, domestic abuse, rape and serious sexual offences, adult and child abuse and allegations of cyber enabled and other forms of fraud. These are some of the most complex and demanding investigations the service has to undertake and they require a highly skilled workforce. As a result Suffolk Constabulary is facing some significant cost pressures and are addressed as part of the development of the Medium Term Financial Plan.

Other legislative changes and procedural changes, such as the changes to managing bail and the impact from the introduction of Virtual Courts have directly increased costs to the Constabulary. The Constabulary continues to deal with the impact of the shortage in resources of other public sector partners, in particular mental health and ambulance services, resulting in the Constabulary having to absorb additional demand from these areas as the emergency service of last resort.

The Home Office had been engaging with the police sector on changes to the police funding formula in recent years. However, due to changing government priorities, plans for amending the formula, which were expected to take effect for 2018-19, have been postponed until the next Spending Review due in 2019. As a result there were no changes to grant damping for 2018-19 and all PCCs' core Home Office grant funding has increased by 2.1% above the 2018-19 level.

The increase in core grant, along with the specific pension grant from the Home Office of £1.2m, does not fully fund the increase in employer contributions to the police officer pension schemes imposed by the Treasury and therefore this increase in funding is not available to spend on PCC or force priorities.

In terms of precept, the written ministerial statement issued by the Home Secretary, the Rt Hon Sajid Javid MP, outlined that "We are also proposing to double the precept flexibility for locally accountable PCCs. Last year, we provided additional £12 precept flexibility. This year, we propose giving PCCs the freedom to ask for an additional £2 a month in 2019/20, to increase their Band D precept by £24 in 2019/20 without the need to call a local referendum".

The Home Secretary also stated that "Last year, we indicated we would provide a similar funding settlement in 2019/20, if the police made progress in delivering further commercial savings, used mobile digital working and increased financial reserves transparency. The police have delivered on these conditions and are on track to deliver £120m in commercial and back office savings by 2020/21 and move towards a new commercial operating model."

The main focus of the Service and Financial Planning process is to continue to drive out efficiencies in both forces, and ensure both Suffolk and Norfolk understand demand, and can align resources to these demands. As part of this process for 2019/20 to 2022/23, savings of £3.3m in 2019/20 have been identified from the collaborative units (Suffolk's share is £1.3m rising to £2.4m by 2022/23). These have been assessed in terms of risks and impact on outcomes using the improved OBB model that also now uses information from the new Force Management Statements. Detailed business cases will now be prepared to realise these savings during 2019/20 and 2020/21. Other areas have also been identified and scoped to be developed into detailed business cases in the latter years of the plan, up to 2022/23. The PCC and Chief Constable are committed to delivering these further efficiencies.

All of these proactive elements that use demand, performance and priority data will shape the new change programme and be captured in future Medium-Term Financial Plans to support the continued transformation and modernisation of policing. It is clear that the change programme will need to remain a continuous process, ensuring that savings can be driven out in a timely fashion to that budgets can be balanced over the medium-term and beyond.

Nationally, to help deliver the Policing Vision for 2025, and meet the Minister's requirement for "clear and substantial progress" on productivity and efficiency, two significant programmes are in place, these being the Commercial Collaboration Programme and the National Enabling Programme. The former is overseen by the National Commercial Board and has five workstreams: Collaborative Procurement; Shared Services; Enablement; Commercial Models; Estates. The National Enabling Programme is a

programme that will provide a modern technology environment that is fundamental to transforming ways of working across policing in the UK.

To remain as efficient as possible, the Constabulary must continue to invest in and refresh technology that keeps the policing model fit-for-purpose and able to meet increasing demand and the changing nature of crime. This investment is significant and has a direct impact on the revenue budget. This includes significant investment in refreshing the growing ICT / digital estate; increasing investment in infrastructure to deal with the growth in requirements for investigating, storing and managing digital data; and the continued roll-out and renewal of projects such as Body Worn Video and mobile working. There are also spending requirements due to the development of the National Enabling Programme, referred to above, that will help deliver inter-operability across all forces.

The growth of the investment in these “short life” capital assets will need to deliver efficiencies in staffing to avoid putting undue pressure on revenue reserves over the medium-term. Over the last few years, reserves have been used appropriately to fund the capital programme in respect of short life assets, the cost of change (e.g. redundancies arising from implementing the significant change programme), and planned temporary staffing costs to respond to service pressures, and transition programmes. Careful consideration has been given to reserve levels over the medium-term and beyond, particularly by modelling capital financing over the next 20 years.

The MTFP therefore includes planned contributions to reserves in each year of the plan in order to ensure that sufficient reserves are available for the medium and longer-term. This will require additional savings to be found, and is a significant driver for further development of the change programme over the coming months and years.

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

<http://suffolk-pcc.gov.uk/wp-content/uploads/2019/03/5-2019-Medium-Term-Financial-Plan-2019-20-to-2022-23.pdf>

The financial, economic and operational uncertainties and challenges will require the PCC and Constabulary to keep financial planning assumptions under constant review, to ensure that the financial position remains stable into the long-term and that increased efficiency is kept at the heart of these developments.

Kenneth Kilpatrick BCom MSc ACA

Chief Finance Officer

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

Gross Expenditure 2017/18 £000	Income 2017/18 £000	Net Expenditure 2017/18 £000		Gross Expenditure 2018/19 £000	Income 2018/19 £000	Net Expenditure 2018/19 £000
			Note			
Division of Service:						
144,299	(9,641)	134,658	Constabulary	199,073	(6,537)	192,537
<u>144,299</u>	<u>(9,641)</u>	<u>134,658</u>	Net Cost of Police Services before group funding	<u>199,073</u>	<u>(6,537)</u>	<u>192,537</u>
-	(131,758)	(131,758)	Intra-group funding	4	(132,278)	(132,278)
<u>144,299</u>	<u>(141,399)</u>	<u>2,900</u>	Net Cost of Police Services	Page 18	<u>199,073</u>	<u>(138,814)</u>
						<u>60,259</u>
Financing and Investment Income and Expenditure:						
34,357	-	34,357	Net pensions interest cost	13	37,130	-
<u>34,357</u>	<u>-</u>	<u>34,357</u>			<u>37,130</u>	<u>-</u>
		<u>37,257</u>	Deficit/(Surplus) on the Provision of Services			<u>97,389</u>
Other Comprehensive Income and Expenditure:						
		(11,444)	Remeasurements of the net defined benefit liability	13		42,629
		<u>(11,444)</u>				<u>42,629</u>
		<u>25,813</u>	Total Comprehensive Income and Expenditure			<u>140,018</u>

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

31 March 2018 £000	Notes	31 March 2019 £000
-	TOTAL ASSETS	-
<u>709</u>	Short-term creditors and accruals	<u>658</u>
<u>709</u>	Current Liabilities	<u>658</u>
<u>1,344,045</u>	Liability related to defined benefits	<u>1,484,115</u>
<u>1,344,045</u>	Long Term Liabilities	<u>1,484,115</u>
<u>1,344,756</u>	TOTAL LIABILITIES	<u>1,484,774</u>
<u>(1,344,756)</u>	NET ASSETS / (LIABILITIES)	<u>(1,484,774)</u>
<u>(1,344,756)</u>	Unusable reserves	<u>(1,484,774)</u>
<u>(1,344,756)</u>	TOTAL RESERVES	<u>(1,484,774)</u>

The financial statements replace the unaudited financial statements certified by Kenneth Kilpatrick on 28 May 2019.

Kenneth Kilpatrick (CFO)

26 July 2019

Movement in Reserves Statement for the Chief Constable of Suffolk Constabulary

Year Ended 31 March 2019	Note	General Fund Balance £000	Total Usable Reserves £000	Pension Reserves £000	Comp' Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2018		-	-	(1,344,046)	(710)	(1,344,756)	(1,344,756)
Movement in Reserves during 2018/19							
Surplus or (deficit) on provision of services (accounting basis)	Page 14	(97,389)	(97,389)	-	-	-	(97,389)
Other comprehensive income and expenditure	Page 14	-	-	(42,629)	-	(42,629)	(42,629)
Total comprehensive income and expenditure		(97,389)	(97,389)	(42,629)	-	(42,629)	(140,018)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		117,709	117,709	(117,709)	-	(117,709)	-
Contribution to the Police Pension Fund		(20,270)	(20,270)	20,270	-	20,270	-
Movement on the Compensated Absences Account		(51)	(51)	-	51	51	-
Adjustments between accounting basis and funding basis under regulations		97,387	97,387	(97,439)	51	(97,387)	-
Increase / (decrease) in year		-	-	(140,068)	51	(140,017)	(140,018)
Balance at 31 March 2019		-	-	(1,484,115)	(659)	(1,484,773)	(1,484,774)
Balance at 1 April 2017		-	-	(1,318,212)	(731)	(1,318,943)	(1,318,943)
Movement in Reserves during 2017/18							
Surplus or (deficit) on provision of services (accounting basis)	Page 14	(37,257)	(37,257)	-	-	-	(37,257)
Other comprehensive income and expenditure	Page 14	-	-	11,444	-	11,444	11,444
Total comprehensive income and expenditure		(37,257)	(37,257)	11,444	-	11,444	(25,813)
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		57,508	57,508	(57,508)	-	(57,508)	-
Contribution to the Police Pension Fund		(20,231)	(20,231)	20,231	-	20,231	-
Movement on the Compensated Absences Account		(21)	(21)	-	21	21	-
Adjustments between accounting basis and funding basis under regulations		37,256	37,256	(37,278)	21	(37,256)	-
Increase / (decrease) in year		-	-	(25,834)	21	(25,812)	(25,812)
Balance at 31 March 2018		-	-	(1,344,046)	(710)	(1,344,756)	(1,344,756)

**Cash-flow Statement for the Chief Constable of Suffolk
Constabulary
for the year ended 31 March 2019**

2017/18 £000		Note	2018/19 £000
(37,257)	Net surplus/(deficit) on the provision of services	Page 14	(97,389)
	Adjustment for non cash or cash equivalent movements		
37,277	Movements on pension liability		97,440
(21)	Increase/(decrease) in revenue creditors		(51)
<u>37,256</u>	Net adjustment for non cash or cash equivalent movements	Page 14	<u>97,389</u>
-	Net increase or (decrease) in cash and cash equivalents		
-	Cash and cash equivalents at the beginning of the reporting period		-
<u>-</u>	Cash and cash equivalents at the end of the reporting period		<u>-</u>

Expenditure and Funding Analysis for the Chief Constable of Suffolk Constabulary

The Expenditure and Funding Analysis is a note to the Financial Statements; however, it is positioned here as it provides a link from the figures reported in the Narrative Report to the CIES.

Constabulary	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Year Ended 31 March 2019			
Constabulary	112,008	80,528	192,537
Intra-group funding	(132,278)	-	(132,278)
Net Cost of Police Services	(20,270)	80,528	60,259
Other income and expenditure	20,270	16,860	37,130
Deficit/(Surplus) on the Provision of Services	-	97,388	97,389
Opening general fund balance at 1 April 2018	-		
Less deficit on general fund in year	-		
Closing General Fund Balance at 31 March 2019	-		
Year Ended 31 March 2018			
Constabulary	111,528	23,131	134,658
Intra-group funding	(131,758)	-	(131,758)
Net Cost of Police Services	(20,232)	23,131	2,900
Other income and expenditure	20,232	14,126	34,357
Deficit/(Surplus) on the Provision of Services	-	37,257	37,257
Opening general fund balance at 1 April 2017	-		
Less deficit on general fund in year	-		
Closing General Fund Balance at 31 March 2018	-		

Notes to the Financial Statements for the Chief Constable of Suffolk Constabulary

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1. Accounting Policies

General principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (CoP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Cost recognition and intra-group adjustment

Refer to Note 4 for further details.

Recognition of working capital

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

Accruals of income and expenditure

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

Debtors and creditors

Revenue and capital transactions are included in the accounts on an accruals basis. Where goods and services are ordered and delivered by the year-end, the actual or estimated value of the order is accrued. With the exception of purchasing system generated accruals a de-minimis level of £1,000 is set for year-end accruals of purchase invoices, except where they relate to grant funded items, where no de-minimis is used. Other classes of accrual are reviewed to identify their magnitude. Where the inclusion or omission of an accrual would not have a material impact on the Statement of Accounts, either individually or cumulatively, it is omitted.

Employee benefits

Benefits payable during employment

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year end. The accrual is made at the most recent wage and salary rates applicable.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the entity to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the entity can no longer withdraw the offer of those benefits or when the entity recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the entity to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace

them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Officers have the option of joining the Police Pension Scheme 2015. Civilian employees have the option of joining the Local Government Pension Scheme (LGPS), administered by Suffolk 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 work for the Constabulary, all of the schemes are accounted for as defined benefit schemes.

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

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

The assets of the LGPS attributable to the Chief Constable are included in the Balance Sheet at their fair value as follows:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unlisted securities – current bid price.
- Property – market value.

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is allocated to the CIES to the services for which the employee or officer worked. The current service cost is based on the latest available actuarial valuation.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are debited to the net cost of policing in the CIES as part of the service for which the employee or officer worked.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged to the Financing and Investment Income and Expenditure line in the CIES. The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. They are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the four pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

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

required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

The Chief Constable makes payments to police officers in relation to injury awards, and the expected injury awards for active members are valued on an actuarial basis.

Events after the reporting period

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

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

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

Government grants and contributions

All government grants are received in the name of the PCC. However, where grants and contributions are specific to expenditure incurred by the Chief Constable, they are recorded as income within the Chief Constable's accounts. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Chief Constable when there is reasonable assurance that:

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet within creditors as government grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants / contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account.

Joint operations

Joint operations are activities undertaken by the Chief Constable in conjunction with other bodies, which involve the use of his resources or those of the other body, rather than the establishment of a separate entity. The Chief Constable recognises the liabilities that he incurs and debits and credits the CIES with his share of the expenditure incurred and income earned from the activity of the operation.

Private Finance Initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

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

Contingent Liabilities

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

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

Reserves

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

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

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employer's contributions to pension funds or eventually 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 Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Value Added Tax

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

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

The Financial Statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom for 2018/19 (the Code), the Code is based on International Financial Reporting Standards (IFRSs).

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

- Amendments to IAS 40 *Investment Property*: Transfers of Investment Property
- *Annual Improvements to IFRS Standards 2014-2016 Cycle* including
 - IFRS 12 *Disclosure of Interest in Other Entities: Clarification of the Scope of the Standard*
 - IAS 28 *Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (note that the amendments also allow for prospective application)
- IFRIC 23 *Uncertainty over Income Tax Treatments* and
- Amendments to IFRS 9 *Financial Instruments*: Prepayment Features with Negative Compensation.

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

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

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

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

3. Critical Judgements in Applying Accounting Policies

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

- The budget is set by the PCC and provides the Chief Constable with the authority to incur expenditure. There are still uncertainties about the future funding beyond 2019/20 in regard of what the PCC will receive from the government and the limitations around the precept. The PCC and the Chief Constable are working together to mitigate the impact of the funding gap emerging over the period of the Medium-Term Financial Plan, the impact of which will be realised in the budget set by the PCC.
- The allocation of transactions and balances between the PCC and the Chief Constable has been set out in the Narrative Report to these accounts.
- The PCC has a significant number of assets including those under PFI arrangements. The PCC has the responsibility, control and risk in terms of the provision of those assets. Consequently, a critical judgement has been made to show any connected grant funding (e.g. for PFI) and the capital and financing costs of the provision of those assets in the PCC account. As the Chief Constable utilises the assets on a day-to-day basis, the officers and staff of the Chief Constable have responsibility for the use of the consumables, heating and lighting and so forth. Consequently, these costs are shown in the Chief Constable accounts including the service charges element of the PFI.
- Costs of pension arrangements require estimates assessed by independent qualified actuaries regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.

- In respect of the LGPS police staff pension costs, separate actuarial valuations have been carried out to provide the accounting entries for the PCC and the Chief Constable in 2018/19 and are reflected in the financial statements.

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

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

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

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

5. Notes to the Expenditure and Funding Analysis

Adjustments between the CIES and the General Fund

	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Constabulary			
Year Ended 31 March 2019			
Constabulary	80,579	(51)	80,528
Net Cost of Police Services	80,579	(51)	80,528
Other income and expenditure	16,860	-	16,860
Deficit/(Surplus) on the Provision of Services	97,439	(51)	97,388
Year Ended 31 March 2018			
Chief Constable	23,151	(21)	23,131
Net Cost of Police Services	23,151	(21)	23,131
Other income and expenditure	14,126	-	14,126
Deficit/(Surplus) on the Provision of Services	37,278	(21)	37,257

Expenditure and Income Analysed by Nature

	Total £000
Reported in 2018/19	
Expenditure	
Employee benefits expenses	178,880
Other service expenditure	20,193
Net pensions interest cost	37,130
Total Expenditure	<u>236,203</u>
Income	
Fees, charges and other service income	(5,877)
Government grants and contributions	(659)
Total Income	<u>(6,537)</u>
Deficit/(Surplus) on the Provision of Services before Intra Group funding	<u>229,667</u>
Intra-group funding	(132,278)
Deficit/(Surplus) on the Provision of Services	<u>97,389</u>
Reported in 2017/18	
Expenditure	
Employee benefits expenses	121,316
Other service expenditure	22,983
Net pensions interest cost	34,357
Total Expenditure	<u>178,656</u>
Income	
Fees, charges and other service income	(6,685)
Government grants and contributions	(2,956)
Total Income	<u>(9,641)</u>
Deficit/(Surplus) on the Provision of Services before Intra Group funding	<u>169,015</u>
Intra-group funding	(131,758)
Deficit/(Surplus) on the Provision of Services	<u>37,257</u>

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate use, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC and Chief Constable with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £169.2m.

7. Post Balance Sheet Events

Post balance sheet events have been considered for the period from the year-end to the date the accounts were authorised for issue on 31 July 2019.

McCloud Judgement – Adjusting Event

In December 2018 the Court of Appeal ruled that the ‘transitional protection’ offered to some members, as part of the reform to public sector pensions, amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government’s request for an appeal in the McCloud case in respect of age discrimination and pension protection.

This trigger event has a direct impact on the pension liabilities of Police bodies, as claims against Chief Constables are likely to succeed. It is probable that pension regulations will need to be amended and compensation arrangements put in place. As a result, the PCC and Chief Constable instructed pension actuaries to carry out additional IAS19 valuations to reflect estimated potential liabilities, these have been accounted in the Statement of Accounts as the trigger event took place between the reporting year end and the authorised for issue date of 31 July 2019.

The increase in pension liabilities arising from the change amounted to £67.8m in the Group and Chief Constable’s Balance Sheet’s. The associated increase in the charge to the CIES was made up of: Past Service Costs £61.8m, Interest £0.9m and Actuarial Gains and Losses £5.1m.

8. Related Parties

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

During 2018/19 there were no material related party transactions involving senior officers of the Constabulary, other than those included under employees’ remuneration set out in Note 9 of these financial statements. All Chief Officers have been written to requesting details of any related party transactions and there are no disclosures.

Central Government has effective control over the general operations of the Chief Constable, it is responsible for providing the statutory framework within which the Chief Constable operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Chief Constable has with other parties. Income from central government is set out in Note 10 of these financial statements.

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

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

9. Employees' Remuneration

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

	2018/19	2017/18
Remuneration		
£50,000 - £54,999	9.5	9.5
£55,000 - £59,999	5	2
£60,000 - £64,999	-	1
£65,000 - £69,999	-	1
£70,000 - £74,999	1	-
£80,000 - £84,999	1	3
£85,000 - £89,999	2	-
£90,000 - £94,999	2	2
£95,000 - £99,999	2	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£125,000 - £129,999	1	1
£150,000 - £154,999	1	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 £50,000 - £54,999 banding, 0.5 FTE relates to the CC CFO. The CFO acts as CFO for the Chief Constable and the PCC. The 0.5 relates to the Chief Constable share of the FTE based on apportionment of salary.

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

	Salaries Fees and Allowances £000	Employers Pension Contributions £000	Expenses Estimated £000	Total £000
2018/19				
Position held				
Chief Constable - Mr Wilson	147	34	-	181
Temporary Deputy Chief Constable (retired 31.12.18)	93	-	-	93
Deputy Chief Constable (appointed 1.01.19) Assistant Chief Constable (to 31.12.18)	119	28	-	146
Temporary Assistant Chief Constable (appointed 01.01.19)	90	20	-	110
2017/18				
Position held				
Chief Constable - Mr Wilson	144	34	5	183
Temporary Deputy Chief Constable	120	-	7	127
Assistant Chief Constable	112	26	5	143
Temporary Assistant Chief Constable (to 4.6.17)	46	9	2	57
Chief Finance Officer (CC) - 0.5 FTE	50	11	-	61

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

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

The number of exit packages with a total cost per band and total cost of compulsory and other redundancies are set out in the table below. The total value of exit packages in 2018/19 includes an amount of £37k, within the £0 - £20,000 and £20,001 - £40,000 bandings, relating to differences between the 2017/18 accrued costs and the actual amounts paid.

Exit Package Cost Band including Special Payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages		Total Value of Exit Packages	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19 £000	2017/18 £000
£0 - £20,000	9	13	1	1	10	14	48	121
£20,001 - £40,000	6	5	1	-	7	5	264	129
£40,001 - £60,000	1	-	-	-	1	-	53	-
£60,001 - £80,000	1	1	-	-	1	1	64	68
£80,001 - £100,000	-	1	-	-	-	1	-	84
£150,001 - £200,000	1	-	-	-	1	-	151	-
	<u>18</u>	<u>20</u>	<u>2</u>	<u>1</u>	<u>20</u>	<u>21</u>	<u>580</u>	<u>402</u>

10. Grant Income

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

	Amount receivable 2018/19 £000	Amount receivable 2017/18 £000
Credited to Services		
Police incentivisation	152	84
Counter terrorism	4	628
Other specific grants	504	2,244
	<u>659</u>	<u>2,956</u>

11. External Audit Costs

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

2017/18 £000		2018/19 £000
17	Costs incurred by the Chief Constable of Suffolk in relation to the audit of the Statement of Accounts	17
<u>17</u>		<u>17</u>

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

12. Private Finance Initiatives

Police Investigation Centres (PIC)

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

Suffolk and Norfolk PCCs have agreed to pay for these services on an agreed percentage in accordance with the total number of cells within the six properties located in the two counties – this being Norfolk 58.2% and Suffolk 41.8%. The payment recognised in the Chief Constable accounts is for the services element which during 2018/19 was £1.502 million (£1.294m in 2017/18).

The PCC makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Revenue service payments, which are chargeable to the Chief Constable through the CIES and remaining to be made under the PFI contract at 31 March 2019 (which exclude any availability/performance deductions), are shown in the following table:

	Revenue Services £000
Payable in 2019/20	1,343
Payable within two to five years	5,380
Payable within six to ten years	9,178
Payable within eleven to fifteen years	9,937
Payable within sixteen to twenty years	9,884
Payable within twenty one to twenty five years	<u>5,861</u>
	<u>41,582</u>

13. Defined Benefit Pension Schemes

Participation in pension schemes

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

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

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

- b) The Police Pension Scheme (PPS) for police officers who joined before April 2006. The employee contributions are 14.25%-15.05% of salary and maximum benefits are achieved after 30 years' service. Contribution rates are dependent on salary.
- c) The New Police Pension Scheme (NPPS) for police officers who either joined from April 2006 or transferred from the PPS. The employee contributions are 11.00%-12.75% of salary and maximum benefits are achieved after 35 years' service. Contribution rates are dependent on salary.
- d) The Police Pension 2015 Scheme for police officers is a Career Average Revalued Earnings (CARE) scheme, for those who either joined from April 2015 or transferred from PPS or NPPS. The employee contributions are 12.44%-13.78% of salary and the Normal Pension Age is 60 although there are protections for eligible officers to retire earlier. Contribution rates are dependent on salary.

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

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

Transactions relating to post-employment benefits

The cost of retirement benefits are recognised in the 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 retirement is reversed out of the General Fund in the MIRS.

The note below contains details of the Chief Constables' 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.

	LGPS		Police Pension Schemes	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs	9,185	9,517	26,122	30,069
Past service costs	1,054	27	61,060	137
Financing and investment income and expenditure				
Net interest expense	1,277	1,274	35,853	33,083
Total post employment benefit charges to the Surplus or Deficit on the Provision of Service	11,516	10,818	123,035	63,289
Other post employment benefit charged to the CIES				
Return on plan assets (excluding the amount included in the net interest expense)	(5,625)	(2,225)	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(96,396)	(13,346)
- Actuarial gains/losses arising from changes in financial assumptions	22,041	(4,915)	97,999	(23,540)
- Other	(84)	259	24,694	32,323
	16,332	(6,881)	26,297	(4,563)
Total post employment benefit charged to the CIES	27,848	3,937	149,332	58,726
Movement in Reserves Statement (MIRS):				
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	(27,848)	(3,937)	(149,332)	(58,726)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	5,804	5,725	-	-
Retirement benefits payable to pensioners	-	-	31,307	31,104
Net charge to the General Fund	5,804	5,725	31,307	31,104

Assets and liabilities in relation to retirement benefits

	Local Government Pension Scheme		Police Pension Schemes	
	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000
Present value of liabilities	(254,340)	(218,513)	(1,416,887)	(1,298,862)
Fair value of plan assets	187,112	173,329	-	-
Total Net Liabilities	<u>(67,228)</u>	<u>(45,184)</u>	<u>(1,416,887)</u>	<u>(1,298,862)</u>

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Police Pension Schemes	
	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000
		Restated		
Opening Balance at 1 April	218,513	210,674	1,298,862	1,271,240
Current service cost	9,185	9,517	26,122	30,069
Interest cost	6,000	5,567	35,853	33,083
Contributions by scheme participants	1,506	1,500	5,499	5,606
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	(96,396)	(13,346)
- Actuarial gains/losses arising from changes in financial assumptions	22,041	(4,915)	97,999	(23,540)
- Other	17	(3)	24,694	32,323
Past service costs	1,054	27	61,060	137
Benefits paid	(3,976)	(3,854)	(36,806)	(36,710)
Closing Balance at 31 March	<u>254,340</u>	<u>218,513</u>	<u>1,416,887</u>	<u>1,298,862</u>

Reconciliation of fair value of scheme assets

	Funded Assets		Unfunded Assets	
	Local Government		Police	
	Pension Scheme		Pension Schemes	
	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000
		Restated		
Opening fair value of scheme assets at 1 April	173,329	163,702	-	-
Interest income	4,723	4,293	-	-
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	5,625	2,225	-	-
Other	101	(262)	-	-
Contributions from employer	5,804	5,725	31,307	31,104
Contributions from employees into the scheme	1,506	1,500	5,499	5,606
Benefits paid	(3,976)	(3,854)	(36,806)	(36,710)
Closing fair value of scheme assets at 31 March	187,112	173,329	-	-

The total net pensions liabilities of £1,484m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,484m. However, the financial position of the Chief Constable remains sound as the liabilities will be spread over many years as follows:

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

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

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

The Police Pension Schemes have no assets to cover their liabilities. The Chief Constable's share of the assets in the Suffolk LGPS are valued at fair value, principally market value for investments and consist of the categories in the following table.

	Fair Value of Scheme Assets	
	31 March	31 March
	2019	2018
	£000	£000
Cash and cash equivalents	2,638	1,801
Equity Instruments - industry type:		
- Consumer	12,207	12,556
- Manufacturing	5,684	4,452
- Energy and utilities	2,969	2,625
- Financial institutions	5,583	5,782
- Health and care	3,212	2,687
- Information technology	5,836	5,067
- Other	1,629	1,811
Sub total equity	37,120	34,980
Bonds - by sector		
- Corporate	42,134	42,017
- Government	-	6,590
- Other	-	-
Sub total Bonds	42,134	48,607
Property - by type		
- UK property	19,095	16,803
Sub total property	19,095	16,803
Private equity - all:	7,704	6,246
Other investment funds:		
- Equities	41,072	40,188
- Bonds	7,282	-
- Hedge Funds	17,951	7,068
- Commodities	-	-
- Infrastructure	8,323	4,520
- Other	3,703	13,123
Sub total other investment funds	78,331	64,899
Derivatives:		
- Foreign exchange	91	(7)
Sub total derivatives	91	(7)
Total Assets	<u>187,112</u>	<u>173,329</u>

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 Suffolk LGPS 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		Police	
	Pension Scheme		Pension Schemes	
	2018/19	2017/18	2018/19	2017/18
Mortality assumptions:				
Longevity at 65 (LGPS) and 60 (PPS) for current pensioners				
Men	21.9	21.9	27.3	29.5
Women	24.4	24.4	29.4	31.5
Longevity at 65 (LGPS) and 60 (PPS) for future pensioners				
Men	23.9	23.9	28.4	30.8
Women	26.4	26.4	30.6	32.8
Rate of inflation (CPI - LGPS and RPI - PPS)	2.5%	2.4%	3.5%	3.4%
Rate of increase in salaries	2.8%	2.7%	3.5%	3.4%
Rate of increase in pensions	2.5%	2.4%	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.7%	2.4%	2.7%

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

Due to the recent ruling to deny the Government's appeal in relation to the McCloud/ Sargeant judgement, an estimated allowance has been included in these accounts based on the calculations performed by the Government Actuary's Department. The calculated effect of the impact of the Guaranteed Minimum Pension equalisation for pensioners has also been included. The effect of both of these amendments can be predominantly seen in the Past Service Cost line for both the Police Pension Schemes and Local Government Pension Scheme.

The real impact of this increase in scheme liabilities will be measured through the pension valuation process, which determines employer and employee contribution rates. The next LGPS valuation takes place in 2019 and the Police Pension valuation is due to take place in 2020. Implementation of the latter valuation is planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

	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%	30,903	10.0%	138,297
1 year increase in member life expectancy	3-5%	7,726-12,331	3.0%	42,507
0.5% increase in the Salary Increase Rate	2.0%	5,643	1.0%	14,413
0.5% increase in the Pension Increase Rate	10.0%	24,662	8.0%	112,935

Impact on the Chief Constable's cash flow

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. 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 2016.

Estimated employer's contributions for 2019/20 amount to £5.450m on the LGPS and £34.495m on the Police Schemes.

The weighted average duration of the defined benefit obligation for the LGPS is 21.0 years, 2018/19 (21.0 years, 2017/18) and for the Police schemes is 18.1 years, 2018/19 (17.9 years, 2017/18)

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

14. Creditors

The balance of creditors is made up of the following:

	2019 £000	2018 £000 Restated
Short term creditors:		
Other payables	658	709
Balance at 31 March	658	709

15. Collaborative Arrangements

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

The Collaboration Panel for Norfolk and Suffolk, as described in the Scheme of Governance and Consent provides an opportunity for the counties' respective PCCs to consider issues of mutual interest

and discharge the governance responsibilities of the PCCs The agreed shared costs of fully collaborated units that arose during the year was as follows:

	Business Support	Justice Services	Protective Services	County Policing	Total
	£000	£000	£000	£000	£000
2018/19					
Suffolk PCC	16,604	9,733	14,544	1,431	42,312
Norfolk PCC	22,010	12,902	19,279	1,897	56,088
Total shared running costs	38,614	22,634	33,823	3,327	98,399
2017/18					
Suffolk PCC	16,372	9,924	15,170	1,263	42,729
Norfolk PCC	21,615	13,101	20,028	1,667	56,411
Total shared running costs	37,987	23,025	35,198	2,930	99,140

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

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

The net expenditure incurred by each force is as follows:

	Total	Total
	2018/19	2017/18
	£000	£000
Operating costs	20,469	17,908
Specific Home Office grant	(4,659)	(2,997)
Other income	(300)	-
Total deficit/ (surplus) for the year	15,510	14,911
Contributions from forces:		
Bedfordshire	(1,843)	(1,692)
Cambridgeshire	(2,376)	(2,152)
Essex	(1,434)	(1,289)
Hertfordshire	(3,351)	(3,049)
Kent	(1,735)	(1,563)
Norfolk	(2,696)	(2,478)
Suffolk	(2,047)	(1,877)
Deficit/ (surplus) for the year	27	810
Suffolk underspend held in Balance Sheet	60	122

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.

The PCCs 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 they 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 £0.48m (2017/18 £0.40m) was payable to West Yorkshire PCC in respect of the NPAS service provided. At 31 March 2019, West Yorkshire PCC owed Suffolk PCC £0.95m (31 March 2018 £1.15m) in respect of the Suffolk airframe. The balance is due to be paid in annual instalments up until 2024/25.

16. Contingent Liabilities

MMI Ltd

The insurance company Municipal Mutual Insurance Limited (MMI) ceased trading in 1992 and ceased to write new or renew policies. Potentially claims can still be received as the company continues to settle outstanding liabilities. A scheme of arrangement is in place, however this arrangement will not meet the full liability of all claims and a current levy of 25% will be chargeable in respect of successful claims on MMI's customers. There are currently no open claims against Suffolk Constabulary. As this point in time, it is not possible to calculate the full amount payable on future MMI claims.

Overtime Claims

The organisation has a liability in respect of historic overtime claims including Covert Human Intelligence Source (CHIS) handlers and other officers in analogous roles. Officers from Devon and Cornwall Police claimed successfully in the County Court (October 2013) that they were owed payments under Police Regulations 2003. Their claims were upheld at the Court of Appeal. The claims relate to a cap being placed on overtime claims by the Chief Constable. Overtime caps were generally applied across the Police Service for CHIS handlers and other similar roles. Provision has been made in the Statement of Accounts for known claims. However, as with other forces, Suffolk Police are likely to receive further claims from officers working in non-handler and undercover roles. The potential number of claims or an estimate of their value has yet to be made. Many claims cover the period when the units were under joint collaborative control with Norfolk Police, therefore where applicable any settlements will be shared in the appropriate cost sharing ratio.

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

Forensic Service Uncertainty

The validity of evidence provided by a forensic testing company to the police service is currently under investigation. It is reasonable to anticipate that some people may have been convicted of offences based on flawed data and that conviction will have had a significant impact on their personal circumstances. As a result some kind of litigation is anticipated. At this point in time it is not possible to assess the number of claims or the financial exposure arising from them.

Police Pension Fund Accounting Statements

Fund Account

2017/18		2018/19	
£000	£000	£000	£000
	Contributions receivable		
	Employer		
	8,321 Normal	8,495	
	508 Early retirements	284	
	- Other - 30+ payments	-	
8,829			8,779
	Members		
	5,323 Normal	5,396	
5,323			5,396
	Transfers in		
	339 Individual transfers in from other schemes	220	
339			220
	Benefits payable		
(28,093)	Pensions	(29,633)	
(7,442)	Commutations and lump sum retirement benefits	(6,046)	
(86)	Lump sum death benefits	-	
(193)	Other	-	
(35,814)			(35,680)
	(7) Refunds on contributions	(25)	
	(34) Individual transfers out to other schemes	(117)	
(41)			(142)
(21,364)	Net amount payable for the year before contribution from the Police General Fund		(21,427)
20,231	Contribution from the Police General Fund		20,270
1,133	Additional funding payable by the local policing body		1,157
-	Net balance receivable for the year		-

The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2017 at 21.3% of pensionable pay. The difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer by means of a reduction in the pensions top-up grant from the Home Office, therefore the actual cost to the Constabulary of the employer's contribution is still 24.2%.

Net Assets and Liabilities

	31 March 2019	31 March 2018
	£000	£000
Net current assets		
Net balance receivable from the Police General Fund	-	-
	-	-

Glossary of terms

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

Accruals basis

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

Actual return on plan assets

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

Actuarial gains and losses

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

- a) Events have not coincided with the actuarial assumptions made for the last valuations (experience gains and losses) or
- b) The actuarial assumptions have changed

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Contingent liability

A contingent liability is either:

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

Current Service Costs

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

Defined benefit scheme

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

Government grants

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

Group

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

Outturn

The actual amount spent in the financial year.

Past Service Costs

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

Projected Unit Credit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

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

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

Precept

The proportion of the budget raised from council tax.

Provision

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

PWLB

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

Related parties

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

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

Retirement Benefits

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

Scheme Liabilities

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

Settlement

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

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

Vested Rights

In relation to a defined benefit scheme, these are:

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

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