THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK

GROUP AND PCC
STATEMENT OF ACCOUNTS

for the year ended
31 March 2020

Contents

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

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Suffolk for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Suffolk and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Suffolk and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Suffolk and Group Balance Sheet;
- Police and Crime Commissioner for Suffolk and Group Cash Flow Statement;
- related notes 1 to 31; and
- Police and Crime Commissioner for Suffolk Police Pension Fund Accounting Statements.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Suffolk and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police and Crime Commissioner for Suffolk in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "Group and PCC Statement of Accounts for the year ended 31 March 2020", other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Suffolk put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the "*Statement of Responsibilities for the Statement of Accounts"* set out on page 1, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

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

Certificate

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

Use of our report

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

MARK HODGSON
ERNST & YOUNG LLP

…………………………… **Date**: *8 December 2020*

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Statement of Responsibilities for the Statement of Accounts

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

The PCC for Suffolk must:

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

Approval of Statement of Accounts

I approve the following Statement of Accounts

Tim Passmore **8 December 2020**

Police and Crime Commissioner for Suffolk

The Chief Finance Officer of the PCC for Suffolk Responsibilities

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

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

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

The CFO PCC has also:

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

Certified by Chief Finance Officer of the PCC for Suffolk

I certify that this statement of accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the PCC at 31 March 2020, and its income and expenditure for the year to that date.

Chris Bland CPFA **8 December 2020**

Chief Finance Officer

NARRATIVE REPORT

This narrative report provides the following information about the Office of the Police and Crime Commissioner for Suffolk (OPCC) and the Suffolk PCC Group. Section 6 presents an assessment of the impact of COVID-19 on the Suffolk PCC Group:

1. Policing Context

The Office of the Police and Crime Commissioner 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 of Suffolk Constabulary were established as separate legal entities. Corporate governance arrangements for the PCC and the Chief Constable have been reviewed and a commentary on their effectiveness is provided in their Annual Governance Statements which are published alongside these Statements of Accounts.

The responsibilities of the PCC, determined by the Act, include:

- **Publishing** a police and crime plan;
- **Holding** the Chief Constable to account for the running of the Constabulary;
- **Agreeing** the Constabulary budget for the year and the level of the precept;
- **Working** with partner organisations and building on collaboration arrangements with other organisations; and
- **Publishing** an annual report setting out progress against the strategic priorities published in the Police and Crime Plan.

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

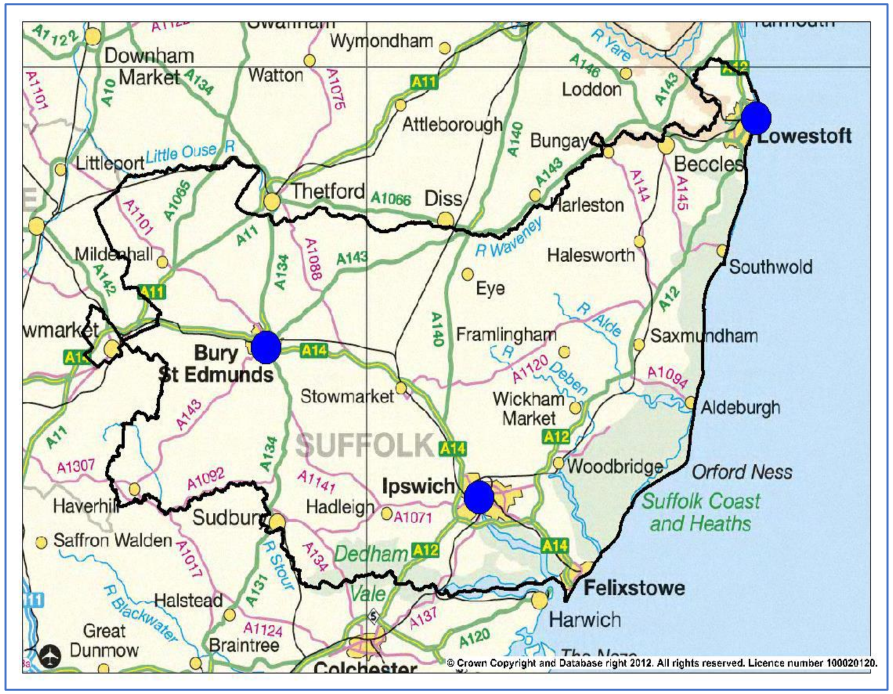
Tim Passmore was elected in 2012 as the PCC for Suffolk and was re-elected in May 2016. PCC elections scheduled for May 2020 have been postponed by 12 months due to the COVID-19 pandemic. Mr. Passmore will remain in post for an extra year and will serve a 5-year term.

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

The County of Suffolk

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

Figure 1 – Map of the County of Suffolk



Note: Principal police stations are marked in blue

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, horse racing in Newmarket and Britain's biggest and busiest seaport in Felixstowe.

Suffolk Constabulary polices a population of 761,350 residents (source: Office of National Statistics, mid-year population estimates 2019/20). The county's population has grown by an estimated 6% over the last 10 years and is expected to rise over the next five years to an estimated 782,000 residents. The Suffolk population is projected to age over the next few years. In 2020 persons aged 45 years and over are estimated to form 51% of the population, compared to around 47% in 2012. The proportion of minority ethnic communities in Suffolk has risen from 3% in 2001 to 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 construction of a proposed new nuclear power station at Sizewell C would bring additional policing demands.

Tourism plays a key role in Suffolk's economy and is worth over £2 billion to the economy and provides over 40,000 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 the Eastern Region Special Operations Unit (ERSOU), a specialist unit with a remit for tackling serious and organised crime in the Eastern Region. ERSOU comprises resources from Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk, and Suffolk forces.

The same seven police forces and their OPCCs form the seven-force strategic collaboration programme, which is working on areas for wider collaboration and savings with a seven-force procurement function established in January 2020.

Suffolk is also part of a ten-force consortium for insurance known as the South East and Eastern Regional Police Insurance Consortium (SEERPIC).

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 aimed at ensuring the PCC and Constabulary fulfil their statutory responsibilities for partnership working, as well as ensuring they continue to be effective and efficient by working together with partners and key stakeholders in providing continued high-quality service delivery.

Commissioning

The PCC can commission services that:

- Secure, or contribute to securing, crime and disorder reduction in Suffolk;
- Help victims, witnesses or other persons affected by offences and anti-social behaviour.

This is in accordance with the provisions in the Anti-Social Behaviour, Crime and Policing Act 2014. In applying this provision, the PCC ensures that the services commissioned are also consistent with the Police and Crime Plan 2017-2021.

Two primary grant awarding funds have been utilised in Suffolk. The first is grant funding in relation to local commissioning of victims' support services awarded annually by the Ministry of Justice. This grant is ring-fenced and is used for commissioning victims services including services for victims of child sexual abuse.

The second, the Crime and Disorder Reduction Grant Fund, administered by the Suffolk Community Foundation, was established by the PCC in 2013 for the purpose of commissioning services in accordance with the statutory power outlined above. The PCC allocates part of this fund to the 'PCC Fund'.

All grants awarded include success criteria, for example intended outcomes, milestones, and risks and how the initiative for which funding is sought will deliver clear and measurable outcomes against police and crime plan objectives. Grant decisions are published on the PCC website. All grant recipients report on the outcomes and progress of projects. Depending on the nature and amount of grant, recipients may also be required to report to public accountability meetings, for example the bi-monthly Accountability and Performance Panel.

The performance of service providers has been regularly reviewed and monitored against proposed outputs and outcomes. Where appropriate, services are assessed using the perceptions of victims of crime in terms of their satisfaction with the services and the extent to which they have been supported to cope and recover.

Value for money and efficiency also features in the commissioning and evaluation of services.

2. Governance

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. When the OPCC was established, the PCC took responsibility for the finances of the Group and controls the assets, liabilities and reserves that 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 these balances are 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. 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 PCC accounts and consolidated in the Group financial statements.

The PCC receives all income and makes all payments from the Police Fund for the Group and has responsibility for entering into contracts and establishing the contractual framework under which the Chief Constable's police officers and police staff operate. 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 does not permit the carry forward of balances or for the Chief Constable to hold cash-backed reserves.

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 Constabulary's police officers, police community support officers and police staff. In exercising day-to-day direction and control the Chief Constable will undertake activities, incur expenditure, and generate income to allow the Constabulary to operate effectively. A distinction is made between the financial impact of this day-to-day direction and control of the Constabulary and the overarching strategic control exercised by the PCC.

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 from central government grants and the council tax and the majority of balances being shown in the PCC's accounts.

The Chief Constable's Comprehensive Income and Expenditure Statement recognises transactions in respect of police officer and police staff costs and associated operational incomes. The Chief Constable's balance sheet shows employment and post-employment benefits in accordance with International Accounting Standard 19 (IAS19).

3. Risks

The PCC and the Chief Constable maintain strategic risk registers which are regularly reviewed. Risk management policies and procedures are in place to ensure that the risks facing the PCC and Chief Constable in achieving objectives are identified, evaluated, and reported.

A Joint Suffolk and Norfolk Constabularies risk management policy includes details of the risk management framework for Suffolk Constabulary. The policy supports a risk management approach for ensuring that strategic objectives are achieved and shows how risk is dealt with by mitigation and / or escalation to the appropriate level within the Constabulary.

All legal requirements for insurance were met and insurance policies were reviewed as necessary as part of regional consortium arrangements under SEERPIC.

4. Non-Financial Performance 2019/20

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 2020, there were 57,139 recorded crimes, 7.5% more than the long-term average. This rise reflects 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. This has resulted in rises in reported 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. It continues robust operational responses to the threat of 'county lines' organised crime groups, modern slavery, and sexual crimes against adults and children. Collaborations with Norfolk Constabulary, 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 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.

The Police and Crime Plan 2017-2021 lists the following as 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 indicators and compares them with last year's performance.

Table 1: Performance against police and crime plan indicators

Area	Indicator	2018/19	2019/20
Domestic Abuse	Number of crimes	7,895	8,923
	Solved rate	16%	14%
Serious Sexual Offences	Number of crimes	1,891	2,088
	Solved rate	6%	5%
Child Sexual Abuse	Number of crimes	1,086	1,125
	Solved rate	9%	9%
Business Crime	Number of crimes	7,723	6,990
	Solved rate	27%	27%
Hate Crime	Number of crimes	998	906
	Solved rate	16%	16%
Online Crime	Number of crimes	1,377	1,492
	Solved rate	11%	11%
Call Handling	999 calls answered in 10 seconds[1]	92%	91%
Emergency Response	Emergencies responded to in target time	91%	91%
Road Safety	Number of killed and seriously injured collisions	274	305

[1] 2018/19 figures are for the period June 2018 to March 2019

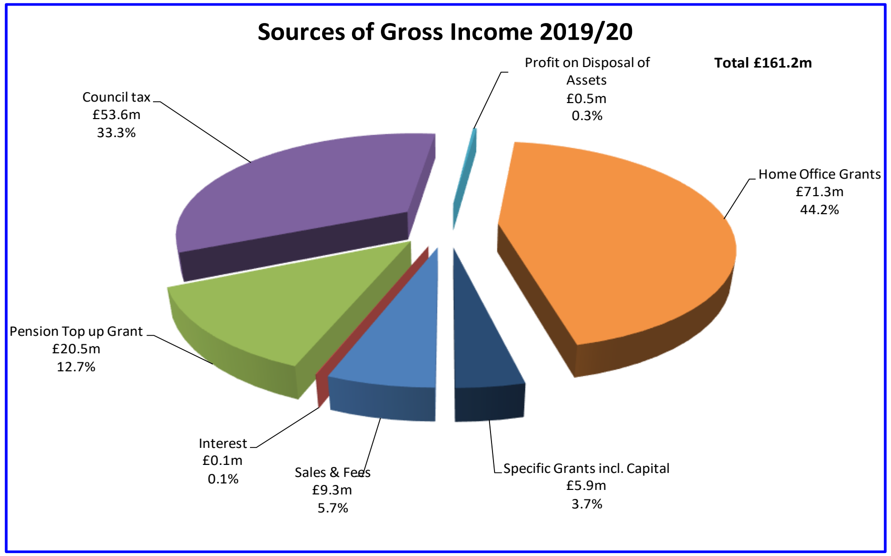
Demands on the Constabulary have changed in nature in recent years. It is experiencing rising volumes of increasingly complex demand, especially in terms of safeguarding, which has reduced its solved crime rates. The Constabulary continues to prioritise the most harmful crime types such as domestic abuse 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. Often referred to as the 'fatal four', these offences impact upon the number of people killed and seriously injured in road traffic collisions.

5. Financial Performance 2019/20

Sources of Funding

The majority of police funding comes from the government in the form of general and specific grants. The remainder comes from council tax and fees and charges. The financing burden on local council taxpayers, as a percentage of funding, has steadily increased as government grants are reduced. **Chart 1** shows the sources of revenue funding in 2019/20.

Chart 1: Sources of gross income 2019/20



Revenue Budget 2019/20

In January 2019, the PCC approved a net revenue budget for 2019/20 of £124.363m. The council tax for a Band D property for 2019/20 was £212.76 following a decision by the PCC to increase the Council Tax by £23.94 and 12.68% for a Band D property.

Outturn Revenue Expenditure Compared to Budget

For budgeting purposes, the revenue budget is compiled and controlled as set out in the following table:

	Budget £000	Outturn £000	Final Variance £000
Constabulary	127,466	124,937	2,529
Office of the PCC	928	862	66
PCC Commissioning	800	764	36
PCC - Grants and PFI Refinancing Gainshare	(3,897)	(6,130)	2,233
Net total contributions to / (from) earmarked reserves	(934)	3,937	(4,871)
Total Net Expenditure	124,363	124,370	(7)
Grants income	70,804	70,804	-
Precept income (before collection fund balance adjustment)	53,559	53,566	(7)
Transfer from/(to) General reserves	**-**	**-**	**-**

Explanations for significant variances are provided below:

- **Chief Constable operational budget:** this is due to actual income exceeding planned levels through the additional recovery of costs, additional fees and charges, government grants and partnership funding.
- **OPCC – Grants:** this is due largely to a one-off financing gain from re-financing the PFI-finance police investigation centres. This has been transferred to reserves.

Savings targets of £2.043m were identified for 2019/20 and these savings were achieved.

Capital Budget 2019/20

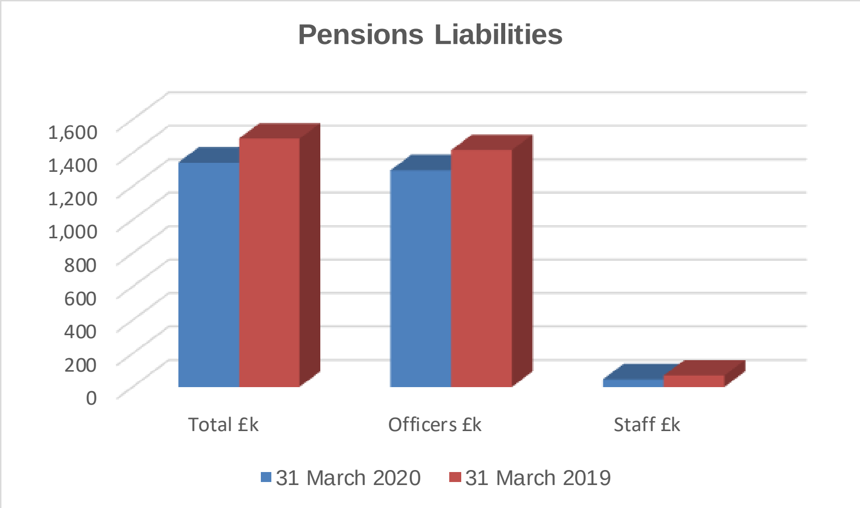
The Capital programme for 2019/20, including slippage from 2018/19 and in-year approvals, was £9.102m. Actual expenditure against this total was £5.952m. The under-spend of £3.150m is primarily due to the re-profiling of estates schemes and joint digital projects that have been re-profiled in the MTFP. Actual expenditure includes an amount of £0.226m relating to incidental and de-minimis expenditure, which is not capitalised in the financial statements but charged directly to the CIES. The capital programme was financed by government grants and contributions of £0.516m, internal borrowing of £1.668m, revenue contributions of £2.175m and capital receipts of £1.367m.

Long Term Liabilities

Pension Liabilities

The Suffolk PCC Group 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 financial reporting standards the PCC is required to account for this future commitment based on the full cost at the time of retirement. The PCC's future net pension liabilities, which have been calculated by an independent actuary, are set out in **chart 2**:

Chart 2: Suffolk PCC Group pension liabilities



These liabilities result in the balance sheet showing net overall liabilities of £1,304m at 31 March 2020, however, the financial position of the PCC remains sound as these liabilities are spread over many years.

PFI Liabilities

At the year end the Suffolk PCC share of the PFI liability associated with police investigation centres amounted to £21.9m. The full cost of the annual unitary charge is included within the PCC's balanced budget. The Suffolk PCC share of an annual grant received from the Home Office supporting the annual unitary charge amounts to £2.7m per annum.

During 2019/20 the PCCs of Suffolk and Norfolk gave consent for the PFI provider of the Police Investigation Centres to enter into a re-financing arrangement. This process resulted in a one off gain for the PFI providers and the PCCs. The PCC for Suffolk's share was £2m which was transferred to reserves.

Reserves

The PCC has usable reserves of £11.514m at 31 March 2020, which are available to support revenue and capital spending. These include a general fund balance made up of earmarked reserves of £7.437m, against which there are significant commitments, and a general balance of £4.000m. These reserves are not fully supported by cash balances, primarily due to capital expenditure in some prior years being financed from cash.

Treasury Management

The PCC has agreed a treasury management strategy which complies with CIPFA guidance. During 2019/20, the PCC continued to borrow or invest available cash balances in accordance with cash flow forecasts, ensuring that prescribed policies with regard to security and liquidity were observed. The average level of investments for 2019/20 was £13.2m and the interest received was £0.089m. The overall return of 0.68% was 0.09% lower than the 3-month LIBOR average of 0.77%.

Annual Governance Statement

The PCC is responsible for conducting a review of the effectiveness of the governance framework, including the system of internal control and management of risk.

This is presented in the Annual Governance Statement 2020 that accompanies the Group and PCC Statement of Accounts. A copy is available on the PCC's website at www.suffolk-pcc.gov.uk.

6. Coronavirus Pandemic

On 18 March 2020, Suffolk and Norfolk Constabularies implemented a joint response to the coronavirus pandemic setting up a dedicated command structure under the operation name ‘Operation Response20’. The pandemic required significant adjustments to policing due to the introduction of and requirement to police the coronavirus regulations; the changing behaviours of the public; changes in crime; and the need to enhance the protection of police officers and police staff and maintain service continuity. The impact on the Constabulary in 2019/20 and assessment for 2020/21 is provided below.

Provision of Services

The Constabulary maintained its levels of response and investigations throughout the pandemic. Crime types changed during the lockdown period with significant reductions in vehicle crime, shoplifting, theft, and property crime but increases in robbery and on-line crime including fraud. The Constabulary increased proactivity, increasing the level of recorded investigations and pursuing outstanding suspects for historical investigations.

The Constabulary’s approach to powers in the Coronavirus Act 2020 has been for officers to engage, explain, encourage, and only enforce as a last resort with the overarching aim that people follow the government’s guidance on COVID-19.

The Constabulary’s Workforce

Operation Response20 established a Workplace Health COVID-19 Team to support police officers and police staff to access information and advice relating to all aspects of COVID-19. It has developed a series of wellbeing handbooks covering working from home, losing someone from COVID-19 and pregnancy during COVID-19.

The Constabulary has supported homeworking wherever possible with additional laptops purchased to allow officers and staff to work from home. Where homeworking was not suitable the Constabulary used its office space more flexibly and secured additional accommodation to support social distancing and permit safe working.

Sickness absence levels from officers and staff off sick or isolating for their own health reasons or due to members of their household displaying symptoms or needing to isolate peaked at the end of March 2020 but have steadily fallen. By mid-May 4.6% of police officers and 5.9% of police staff were reporting sick or isolating, which was below the national average. Operational capacity has been increased through additional hours provided by the Special Constabulary.

Supply Chains

The Constabulary’s supply chain remained resilient for the most part during the pandemic. It made significant purchases of laptops and personal protective equipment in response to the pandemic.

- **Personal protective equipment:** the Constabulary procured significant stocks of PPE to support its operations. High national and international demand disrupted normal supply chains and stocks of PPE ran low but did not run out. PPE has been procured through the Eastern region’s 7Force collaborated procurement team and sustainable supplies of PPE secured and contingency stocks purchased.
- **Information technology:** significant purchases of laptops were made to support homeworking. Orders placed through existing suppliers were fulfilled, but order sizes restricted and delivery times extended due to national and international demand.

- **Estates**: construction work stopped during lockdown causing delays in the Constabulary's estates programme. The delays did not affect the Constabulary operationally as these were replacement premises with police officers and police staff able to continue working in the existing police stations.

Police vehicle workshops remained operational during the pandemic to service and maintain police vehicles with a stock of vehicle parts purchased in advance of lockdown restrictions being imposed to mitigate the risk of delays or non-supply from vehicle parts' suppliers.

The Constabulary applied provisions under the *Public Contract Regulations 2015* to expedite purchases of operational kit and equipment, to extend contracts with key suppliers and provide supplier relief and varied payment terms to ensure service continuity.

Financial Impact

Financial reports were prepared regularly showing outturn expenditure and presenting forecasts for expenditure and lost income for 2020/21. Expenditure of £54,000 was incurred in 2019/20 to support the Constabulary's operational response to the pandemic. Current forecasts show additional costs of £525k in 2020/21. The most significant costs are personal protective equipment at £86k and additional IT to support remote working at £225k. Lost income during 2020/21, predominately from driver awareness courses, is forecast at £705k.

The government has confirmed reimbursement of medical grade personal protective equipment and compensation for a proportion of lost income as a result of the coronavirus pandemic.

The Constabulary reported an underspend of £1.7m in 2019/20. This has been added to the PCC's reserves and provide a cushion against costs incurred as part of the Constabulary's operational response to the pandemic. The reserves also mitigate the risk that the Constabulary is unable to deliver in full its required efficiency savings targets in 2019/20.

The Constabulary remains confident that it can meet any costs incurred as a result of the COVID-19 pandemic and offset any lost income through the reprioritisation of planned activities during 2020/21 and the reallocation of budgets or use of reserves.

Financial Position

Property Valuations

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of the Coronavirus pandemic on markets might cause a valuer to conclude that there is a material uncertainty, which the valuer would then declare in their report. The valuers have concluded that although the pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally, some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, if the properties were to be valued as at the end of September, the valuation would not be reported as subject to material valuation uncertainty.

Pension Plan Assets

Pension assets were valued at the balance sheet date and actual rather than estimated investment returns were reported in year. Therefore, the impact of COVID-19 on pension assets in 2019-20 has been reflected in the accounts.

Cash Flow Management

Cash flow forecasts show that the Constabulary's cash flows remain positive throughout the coronavirus pandemic planning period with no recourse to overdraft or borrowings. The Home Office brought forward payment of the pensions grant of £1.16m to April. Additionally, the Home Office has agreed to release half of the 2020/21 police officer uplift grant of earlier than planned. Both measures have contributed to support the Constabulary's positive liquidity position.

Major Risks to the Constabulary

Risks and mitigations were reviewed weekly as part of Operation Response20's strategic command meetings with a positive reduction in risk scores being achieved. Key risks included:

- Inability to deliver services due to high levels of police officer and police staff absence;
- Increase in community tensions across the county;
- Reduction in levels of public confidence;
- Delivery partners, contractors and suppliers are unable to provide required goods and services; and
- Non-compliance with the Constabulary's statutory responsibilities due to staff absences and/ or breakdown in its supply chain.

Plans for Recovery

Suffolk and Norfolk Constabularies started planning their recovery phase prior to any announcements on the relaxation of lockdown restrictions. A programme of work was established under Operation Evolve for three phases of work: restart, restore and recover. Plans in place cover the following areas:

Workstream	Purpose
Logistics	• Provide COVID19-secure workspaces for police officers and police staff
Demand	• Prepare for return to normal demand levels and potential surges when lockdown restrictions are lifted
People	• Focus on officer and staff wellbeing; supervision of and support to homeworkers; manage backlog of officer and staff leave
Justice Services	• Embed phone and video investigative and criminal procedures and manage backlog of cases
Learning and Development	• Restart and manage backlog of essential training; review training schedule to minimise abstractions; continue recruitment of student officers
Service Continuity	• Identify and capture organisational learning

Review of Operational Response and Resilience of Governance Arrangements

The Chief Constables of Suffolk and Norfolk Constabularies commissioned a peer review of their operational policing response to the coronavirus pandemic. The review assessed and tested the approach across a number of key areas including governance and leadership; command, operational structures and decision-making; internal and external communications; and forward planning to maximise the use of resources.

The report concluded that the collaborated forces of Suffolk and Norfolk acted swiftly to this crisis and the response proved to be effective throughout.

The report made a number of recommendations on issues that had been identified by both forces and were part of future planning. All recommendations have been actioned. The report's authors note that the recommendations should provide confidence that the strategic command team have taken and continue to take the right actions.

The PCC, Chief Constable and Joint Audit Committee asked the internal auditor to undertake an assurance review of financial controls to test their resilience during the coronavirus pandemic and, for example, the introduction of new ways of working and police officers and police staff working from home or key personnel self-isolating and the relaxation of procurement requirements to facilitate the purchase of personal protective equipment.

This report noted that procurement activity had been challenging and sourcing sufficient personal protective equipment had been the Constabulary's priority. It provided reasonable assurance that the financial controls operated effectively during the pandemic.

7. Outlook

Police and Crime Plan 2017-21

The PCC's Police and Crime Plan 2017-21 presents his four strategic objectives all aimed at making Suffolk a safer place in which to live, work, travel and invest. They are as follows:

- Responding to calls for urgent assistance;
- Caring about victims, communities, the local economy, and our people;
- Protecting the most vulnerable people and communities by preventing, reducing, and solving crime; and
- Delivering efficient and effective services with the right resources.

These have been translated into an action plan that drives day-to-day activities with progress monitored under the PCC's performance management framework.

Suffolk Constabulary Strategic Plan 2020/21 to 2022/23

The Chief Constable has published his 3-year strategic plan which sets the Constabulary's priorities for 2020/21 to 2022/23. The plan is consistent with the PCC's police and crime plan and the Force Management Statement. The plan contains the following 8 operational and organisational priority outcomes:

Operational

- Proactive policing to catch criminals;
- Quality crime investigations to improve service to victims;
- Problem solving with our communities and partners; and
- Building confidence and increasing satisfaction in Suffolk Constabulary.

Organisational

- Investing in our people and ensuring we are fit for the future;
- Creating capacity to catch and convict criminals and keep the public safe;
- Leadership based on our values; everyone is a leader; and
- We will be courageous, innovative, and ambitious exploiting technology.

Each priority is assigned to a chief officer and supported by areas of operational and organisational focus and measures of success to monitor performance against outcomes.

Medium Term Financial Plan 2020/21 to 2023/24

Revenue Funding

The PCC has published a medium term financial plan for 2020/21 to 2023/24. A copy is available from the PCC's website.

Funding for policing services has increased from £124.363m in 2019/20 to £133.116m in 2020/21. This will enable the Constabulary to recruit 54 officers by 31 March 2021 as part of the government's commitment to increase officers nationally by 6,000 by the end of 2020/21. Additional precept funding in 2020/21 will support recruitment of a further 20 officers and 16 police staff.

Both investments support delivery of the PCC's Police and Crime Plan 2017/21 and the Chief Constable's 3-year strategic plan. Monitoring delivery of improvements in performance from the additional policing resources provided will be through meetings of the Accountability and Performance Panel chaired by the PCC.

Capital Programme

There is an increased investment requirement on the capital programme over the medium-term driven by the continuing pace of modernisation and ensuring the Constabulary is fit-for-purpose, appropriately equipped and has an appropriate estate footprint. This includes significant investment in the estate and in refreshing the growing ICT and digital capabilities to drive more efficient and more effective ways of working. The Group's capital expenditure programme for 2020/21 is shown in **Table 3**:

Table 3: Capital programme 2020/21

	2020/21 £000
Suffolk only capital programme	
Estates	1,783
ICT	515
Vehicles and equipment	837
Sub-total	**3,135**
Share of joint capital programme	
ICT schemes and projects	4,440
Total	**7,535**

The capital programme will be funded from the following sources (see **Table 4**).

Table 4: Funding sources for capital programme 2020/21

	2020/21
	£000
Capital Receipts	1,815
Capital Grant	119
Revenue Contribution	3,097
Capital Financing Reserve	1,151
Internal/ External Borrowing	1,353
Total	**7,535**

Future Efficiency and Savings Plans

As a result of service pressures, the Constabulary is required to achieve savings of £1.282m in 2020/21 and a further £6.351m across the remaining 3 years of the MTFP period. 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.

8. Basis of Preparation

Going Concern

These accounts are prepared on a going concern basis, which assumes that the PCC for Suffolk and the Suffolk PCC Group will continue in operation for the foreseeable future in accordance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2019/20. Further information is provided in note 29 of the financial statements.

Explanation of financial statements

This document contains two sets of accounts:

- **PCC for Suffolk:** PCC single entity accounts; and
- **Suffolk PCC Group:** consolidated accounts which incorporate the PCC single entity accounts and the accounts prepared by the Chief Constable.

The 2019/20 Statement of Accounts for the PCC for Suffolk and the Suffolk PCC Group are set out on the following pages. The purpose of individual primary statements is explained below:

- **The Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. Adjustments made between the accounting and funding bases are shown in the Movement in Reserves Statement and the associated notes to the financial statements.

- **The Balance Sheet** shows the value as at the balance sheet date of the assets and liabilities recognised by the Suffolk PCC Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves. These are reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The second category of reserves are unusable reserves, which the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold and the revaluation gains are realised; and reserves that hold accounting timing differences.

- **The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Group, analysed into usable and unusable reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- **The Cash Flow Statement** shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Group.

The PCC is required by statute to make funding decisions on a different basis from the way in which it reports the statement of accounts. A number of adjustments are made to the accounts that are used for budget setting and budget management to incorporate proper accounting adjustments in the area of pensions, employee benefits and depreciation.

The accounting policies are disclosed in Note 1 of the financial statements.

Chris Bland CPFA
Chief Finance Officer

Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

Gross Expenditure 2018/19 £000	Income 2018/19 £000	Net Expenditure 2018/19 £000	PCC Group	Note	Gross Expenditure 2019/20 £000	Income 2019/20 £000	Net Expenditure 2019/20 £000
			Division of Service:				
199,073	(6,537)	192,537	Constabulary		144,757	(9,169)	135,588
8,552	(2,938)	5,614	Office of the PCC		8,946	(5,080)	3,866
1,645	(899)	747	PCC commissioning		1,685	(920)	764
209,270	**(10,373)**	**198,898**	**Net Cost of Police Services**		**155,388**	**(15,170)**	**140,218**
			Other Operating Expenditure:				
-	(20,270)	(20,270)	Home Office contribution to police pensions	**7**	-	(20,522)	(20,522)
80	-	80	Loss / (profit) on disposal of fixed assets		-	(503)	(503)
80	**(20,270)**	**(20,190)**	**Total Other Operating Expenditure**		**-**	**(21,025)**	**(21,025)**
			Financing and Investment Income and Expenditure:				
2,383	-	2,383	Interest payable and similar charges		1,711	-	1,711
37,154	-	37,154	Net pensions interest cost	**16**	35,645	-	35,645
-	(73)	(73)	Interest and investment income		-	(89)	(89)
5	-	5	(Gains) / losses from derecognition of financial assets carried at amortised cost		2	-	2
39,542	**(73)**	**39,469**	**Total Financing and Investment Income and Expenditure**		**37,358**	**(89)**	**37,269**
			Taxation and Non-specific Grant Income:				
-	(46,940)	(46,940)	General grants	**7**	-	(47,814)	(47,814)
-	(457)	(457)	Capital grants and contributions	**7**	-	(499)	(499)
-	(22,547)	(22,547)	Former MHCLG funding	**7**	-	(22,990)	(22,990)
-	(47,174)	(47,174)	Precepts	**11**	-	(53,677)	(53,677)
-	**(117,118)**	**(117,118)**	**Total Taxation and Non-specific Grant Income**		**-**	**(124,980)**	**(124,980)**
		101,059	**Deficit on the Provision of Services**				**31,482**
			Other Comprehensive Income and Expenditure:				
		(3,337)	(Surplus) / deficit on the revaluation of assets	**13**			(6,295)
		42,882	Remeasurements of the net defined benefit liability	**16**			(177,986)
		39,545	**Total Other Comprehensive Income and Expenditure**				**(184,281)**
		140,604	**Total Comprehensive (Income) and Expenditure**				**(152,799)**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

Gross Expenditure 2018/19 £000	Income 2018/19 £000	Net Expenditure 2018/19 £000	PCC	Note	Gross Expenditure 2019/20 £000	Income 2019/20 £000	Net Expenditure 2019/20 £000
			Division of Service:				
8,552	(2,938)	5,614	Office of the PCC		8,946	(5,080)	3,866
1,645	(899)	747	PCC commissioning		1,685	(920)	764
10,197	**(3,836)**	**6,361**	**Net Cost of Police Services before group funding**		**10,631**	**(6,001)**	**4,630**
132,278	-	132,278	Intra-group funding	**5**	136,454	-	136,454
142,475	**(3,836)**	**138,638**	**Net Cost of Police Services**		**147,085**	**(6,001)**	**141,084**
			Other Operating Expenditure:				
-	(20,270)	(20,270)	Home Office contribution to police pensions	**7**	-	(20,522)	(20,522)
80	-	80	Loss / (profit) on disposal of fixed assets		-	(503)	(503)
80	**(20,270)**	**(20,190)**	**Total Other Operating Expenditure**		**-**	**(21,025)**	**(21,025)**
			Financing and Investment Income and Expenditure:				
2,383	-	2,383	Interest payable and similar charges		1,711	-	1,711
24	-	24	Net pensions interest cost	**16**	30	-	30
-	(73)	(73)	Interest and investment income		-	(89)	(89)
5	-	5	(Gains) / losses from derecognition of financial assets carried at amortised cost		2	-	2
2,412	**(73)**	**2,339**	**Total Financing and Investment Income and Expenditure**		**1,743**	**(89)**	**1,654**
			Taxation and Non-specific Grant Income:				
-	(46,940)	(46,940)	General grants	**7**	-	(47,814)	(47,814)
-	(457)	(457)	Capital grants and contributions		-	(499)	(499)
-	(22,547)	(22,547)	Former MHCLG funding	**7**	-	(22,990)	(22,990)
-	(47,174)	(47,174)	Precepts	**11**	-	(53,677)	(53,677)
-	**(117,118)**	**(117,118)**	**Total Financing and Investment Income and Expenditure**		**-**	**(124,980)**	**(124,980)**
		3,670	**Total (Surplus) / Deficit on the Provision of Services**				**(3,267)**
			Other Comprehensive Income and Expenditure:				
		(3,337)	(Surplus) / deficit on the revaluation of assets	**13**			(6,295)
		253	Remeasurements of the net defined benefit liability	**16**			(744)
		(3,084)	**Total Other Comprehensive Income and Expenditure**				**(7,039)**
		586	**Total Comprehensive (Income) and Expenditure**				**(10,306)**

Balance Sheet as at 31 March 2020

Group 31 March 2019 £000	PCC 31 March 2019 £000		Notes	Group 31 March 2020 £000	PCC 31 March 2020 £000
52,624	52,624	Property, plant and equipment	13	57,771	57,771
3,286	3,286	Intangible assets	13	2,477	2,477
752	752	Long term debtors	17	554	554
56,663	56,663	**Total Long Term Assets**		60,802	60,802
150	150	Inventories		161	161
9,802	9,802	Short term debtors and prepayments	17	11,698	11,698
4,473	4,473	Cash and cash equivalents	18	5,431	5,431
308	308	Assets held for sale	19	1,309	1,309
14,733	14,733	**Current Assets**		18,599	18,599
71,396	**71,396**	**Total Assets**		**79,401**	**79,401**
10,990	10,332	Short term creditors and accruals	20	10,997	10,116
465	465	Short term borrowing	22	475	475
710	710	Provisions	24	822	822
386	386	PFI liabilities and leases	15	403	403
12,551	11,892	**Current Liabilities**		12,697	11,816
1,485,311	1,196	Other long term liabilities	16	1,341,982	581
7,426	7,426	Long term borrowing	22	7,086	7,086
22,721	22,721	PFI liabilities	15	21,448	21,448
1	1	Grants receipts in advance		1	1
1,515,459	31,344	**Long Term Liabilities**		1,370,517	29,116
1,528,010	**43,236**	**Total Liabilities**		**1,383,214**	**40,932**
(1,456,614)	**28,160**	**Net Assets / (Liabilities)**		**(1,303,813)**	**38,469**
7,739	7,743	Usable reserves	Pages 20 & 22	11,514	11,516
(1,464,353)	20,421	Unusable reserves	26	(1,315,327)	26,953
(1,456,614)	**28,164**	**Total Reserves**		**(1,303,813)**	**38,469**

These financial statements replace the unaudited financial statements issued on 29 May 2020.

Chris Bland CPFA

Chief Finance Officer PCC

8 December 2020

Movement in Reserves Statement

PCC Group **Year Ended 31 March 2020**	**Note**	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves** £000	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2019		**7,646**	**-**	**93**	**7,740**	**(1,464,353)**	**(1,456,614)**
Movement in Reserves during 2019/20							
Deficit on the provision of services	**Page 17**	(31,482)	-	-	**(31,482)**	**-**	**(31,482)**
Other comprehensive income and (expenditure)	**Page 17**	-	-	-	**-**	**184,281**	**184,281**
Total comprehensive income and expenditure		**(31,482)**	**-**	**-**	**(31,482)**	**184,281**	**152,799**
Amortisation of intangible assets	**13**	792	-	-	**792**	**(792)**	**-**
Depreciation on property, plant and equipment	**13**	4,220	-	-	**4,220**	**(4,220)**	**-**
Revaluation losses on property, plant and equipment	**13**	1,006	-	-	**1,006**	**(1,006)**	**-**
Capital grants and contributions credited to the revised CIES	**Page 17**	(499)	-	499	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(516)	**(516)**	**516**	**-**
Net gain or loss on the sale of non-current assets	**Page 17**	(503)	1,169	-	**666**	**(666)**	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	198	-	**198**	**(198)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		55,180	-	-	**55,180**	**(55,180)**	**-**
Movement on the Collection Fund Adjustment Account		(110)	-	-	**(110)**	**110**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(2,175)	-	-	**(2,175)**	**2,175**	**-**
Statutory provision for the repayment of debt	**14**	(2,337)	-	-	**(2,337)**	**2,337**	**-**
Contribution to the Police Pension Fund	**Page 17**	(20,522)	-	-	**(20,522)**	**20,522**	**-**
Increase / (decrease) on the Compensated Absences Account		223	-	-	**223**	**(223)**	**-**
Use of capital receipts to fund asset purchases		-	(1,367)	-	**(1,367)**	**1,367**	**-**
Adjustments between accounting basis and funding basis under regulations		**35,273**	**-**	**(17)**	**35,256**	**(35,256)**	**-**
Increase / (decrease) in year		**3,791**	**-**	**(17)**	**3,775**	**149,025**	**152,799**
Balance at 31 March 2020		**11,437**	**-**	**77**	**11,514**	**(1,315,328)**	**(1,303,814)**

PCC Group **Year Ended 31 March 2019**		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2018		**7,854**	**-**	**166**	**8,021**	**(1,324,029)**	**(1,316,008)**
Movement in Reserves during 2018/19							
Deficit on the provision of services	**Page 17**	(101,059)	-	-	**(101,059)**	**-**	**(101,059)**
Other comprehensive income and (expenditure)	**Page 17**	-	-	-	**-**	**(39,545)**	**(39,545)**
Total comprehensive income and expenditure		**(101,059)**	**-**	**-**	**(101,059)**	**(39,545)**	**(140,604)**
Amortisation of intangible assets	**13**	1,014	-	-	**1,014**	**(1,014)**	**-**
Depreciation on property, plant and equipment	**13**	4,115	-	-	**4,115**	**(4,115)**	**-**
Revaluation losses on property, plant and equipment	**13**	1,005	-	-	**1,005**	**(1,005)**	**-**
Capital grants and contributions credited to the revised CIES	**Page 17**	(457)	-	457	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(529)	**(529)**	**529**	**-**
Net gain or loss on the sale of non-current assets	**Page 17**	80	540	-	**620**	**(620)**	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	198	-	**198**	**(198)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		117,840	-	-	**117,840**	**(117,840)**	**-**
Movement on the Collection Fund Adjustment Account		(31)	-	-	**(31)**	**31**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(1,715)	-	-	**(1,715)**	**1,715**	**-**
Statutory provision for the repayment of debt	**14**	(678)	-	-	**(678)**	**678**	**-**
Contribution to the Police Pension Fund	**Page 17**	(20,270)	-	-	**(20,270)**	**20,270**	**-**
Increase / (decrease) on the Compensated Absences Account		(51)	-	-	**(51)**	**51**	**-**
Use of capital receipts to fund asset purchases		-	(738)	-	**(738)**	**738**	**-**
Adjustments between accounting basis and funding basis under regulations		**100,851**	**-**	**(73)**	**100,778**	**(100,778)**	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		**(208)**	**-**	**(73)**	**(281)**	**(140,323)**	**(140,604)**
Balance at 31 March 2019		**7,646**	**-**	**93**	**7,740**	**(1,464,352)**	**(1,456,613)**

PCC Year Ended 31 March 2020	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2019		**7,648**	**-**	**93**	**7,742**	**20,421**	**28,162**
Movement in Reserves during 2019/20							
Surplus on provision of services	**Page 18**	3,267	-	-	**3,267**	**-**	**3,267**
Other comprehensive income and expenditure	**Page 18**	-	-	-	**-**	**7,039**	**7,039**
Total comprehensive income and expenditure		**3,267**	**-**	**-**	**3,267**	**7,039**	**10,306**
Amortisation of intangible assets	**13**	792	-	-	**792**	**(792)**	**-**
Depreciation on property, plant and equipment	**13**	4,220	-	-	**4,220**	**(4,220)**	**-**
Revaluation losses on property, plant and equipment	**13**	1,006	-	-	**1,006**	**(1,006)**	**-**
Capital grants and contributions credited to the revised CIES	**Page 18**	(499)	-	499	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(516)	**(516)**	**516**	**-**
Net gain or loss on the sale of non-current assets	**Page 18**	(503)	1,169	-	**666**	**(666)**	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	198	-	**198**	**(198)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		132	-	-	**132**	**(132)**	**-**
Movement on the Collection Fund Adjustment Account		(110)	-	-	**(110)**	**110**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(2,175)	-	-	**(2,175)**	**2,175**	**-**
Statutory provision for the repayment of debt	**14**	(2,337)	-	-	**(2,337)**	**2,337**	**-**
Contribution to the Police Pension Fund		-	-	-	**-**	**-**	**-**
Movement on the Compensated Absences Account		-	-	-	**-**	**-**	**-**
Use of capital receipts to fund asset purchases		-	(1,367)	-	**(1,367)**	**1,367**	**-**
Adjustments between accounting basis and funding basis under regulations		**524**	**-**	**(17)**	**507**	**(507)**	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		**3,791**	**-**	**(17)**	**3,774**	**6,532**	**10,306**
Balance at 31 March 2020		**11,440**	**-**	**77**	**11,516**	**26,953**	**38,469**

PCC **Year Ended 31 March 2019**	**Note**	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Reserves £000**
Balance at 1 April 2018		**7,854**	**0**	**166**	**8,021**	**20,727**	**28,748**
Movement in Reserves during 2018/19							
Deficit on provision of services	**Page 18**	(3,670)	-	-	**(3,670)**	**-**	**(3,670)**
Other comprehensive income and expenditure	**Page 18**	-	-	-	**-**	**3,084**	**3,084**
Total comprehensive income and expenditure		**(3,670)**	**-**	**-**	**(3,670)**	**3,084**	**(586)**
Amortisation of intangible assets	**13**	1,014	-	-	**1,014**	**(1,014)**	**-**
Depreciation on property, plant and equipment	**13**	4,115	-	-	**4,115**	**(4,115)**	**-**
Revaluation losses on property, plant and equipment	**13**	1,005	-	-	**1,005**	**(1,005)**	**-**
Capital grants and contributions credited to the revised CIES	**Page 18**	(457)	-	457	**-**	**-**	**-**
Application of capital grants from unapplied account		-	-	(529)	**(529)**	**529**	**-**
Net gain or loss on the sale of non-current assets	**Page 18**	80	540	-	**620**	**(620)**	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	198	-	**198**	**(198)**	**-**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements		130	-	-	**130**	**(130)**	**-**
Movement on the Collection Fund Adjustment Account		(31)	-	-	**(31)**	**31**	**-**
Capital expenditure charged to the General Fund Balance	**14**	(1,715)	-	-	**(1,715)**	**1,715**	**-**
Statutory provision for the repayment of debt	**14**	(678)	-	-	**(678)**	**678**	**-**
Use of capital receipts to fund asset purchases		-	(738)	-	**(738)**	**738**	**-**
Adjustments between accounting basis and funding basis under regulations		**3,463**	**-**	**(73)**	**3,390**	**(3,390)**	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		**(206)**	**-**	**(73)**	**(280)**	**(306)**	**(586)**
Balance at 31 March 2019		**7,648**	**-**	**93**	**7,743**	**20,421**	**28,161**

Cash flow Statement for the year ended 31 March 2020

Group 2018/19 £000 Restated	PCC 2018/19 £000 Restated		Note	Group 2019/20 £000	PCC 2019/20 £000
(101,059)	**(3,670)**	**Net surplus/(deficit) on the provision of services**	**Pages 17 & 18**	**(31,482)**	**3,267**
106,067	8,678	Adjustment for non-cash or cash equivalent movements	**21**	38,243	3,494
(457)	(457)	Capital grants and contributions		(499)	(499)
4,551	**4,551**	**Net cash flows from operating activities**		**6,262**	**6,262**
		Investing activities			
(4,915)	(4,915)	Purchase of non current assets		(5,392)	(5,392)
18,000	18,000	Purchase of short term or long term investments		13,000	13,000
540	540	Proceeds from the sale of non currents assets		1,169	1,169
(18,000)	(18,000)	Proceeds from short term or long term investments		(13,000)	(13,000)
467	467	Other receipts from investing activities		499	499
(3,907)	**(3,907)**	**Net cash flows from investing activities**		**(3,723)**	**(3,723)**
		Financing activities			
2,000	2,000	Cash receipts of short and long-term borrowing		11,000	11,000
-	-	Other receipts from financing activities		-	-
(356)	(356)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts		(1,257)	(1,257)
(2,270)	(2,270)	Repayments of short and long term borrowing		(11,325)	(11,325)
(626)	**(626)**	**Net cash flows from financing activities**		**(1,582)**	**(1,582)**
18	**18**	**Net increase or (decrease) in cash and cash equivalents**		**957**	**957**
4,455	4,455	Cash and cash equivalents at the beginning of the period	**18**	4,473	4,473
4,473	**4,473**	**Cash and cash equivalents at the end of the period**	**18**	**5,430**	**5,430**

The 2018/19 cash flow statement has been restated as a reporting error was discovered that has resulted in the requirement to gross up the investment and borrowing activities. The values of the net cashflows from investing and financing activities have remained unchanged.

Expenditure and Funding Analysis

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.

Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2018/19 £000	Group	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2019/20 £000
			Year Ended 31 March			
112,008	80,528	192,537	Constabulary	115,932	19,656	135,588
(625)	6,239	5,614	Office of the PCC	(2,254)	6,119	3,866
747	-	747	PCC commissioning	764	-	764
112,130	**86,767**	**198,897**	**Net Cost of Police Services**	**114,443**	**25,776**	**140,218**
(111,922)	14,084	(97,839)	Other income and expenditure	(118,234)	9,497	(108,737)
208	**100,851**	**101,059**	**Deficit on the Provision of Services**	**(3,791)**	**35,273**	**31,482**
7,854			Opening general fund balance at 1 April	7,646		
(208)			Less surplus / (deficit) on general fund in year	3,791		
7,646			**Closing General Fund Balance at 31 March**	**11,437**		

Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2018/19 £000	PCC	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES 2019/20 £000
			Year Ended 31 March			
(626)	6,240	5,614	Office of the PCC	(2,254)	6,119	3,866
747	-	747	PCC commissioning	764	-	764
132,278	-	132,278	Intra-group funding	136,454	-	136,454
132,398	**6,240**	**138,638**	**Net Cost of Police Services**	**134,965**	**6,119**	**141,084**
(132,191)	(2,777)	(134,969)	Other income and expenditure	(138,757)	(5,595)	(144,352)
207	**3,463**	**3,670**	**Deficit/(Surplus) on the Provision of Services**	**(3,791)**	**524**	**(3,267)**
7,854			Opening general fund balance at 1 April	7,647		
(207)			Less surplus / (deficit) on general fund in year	3,791		
7,647			**Closing General Fund Balance at 31 March**	**11,438**		

Notes to the Financial Statements

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

1. Accounting Policies

General principles

The Statement of Accounts summarises the Group's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code 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 5 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.

Cash and cash equivalents

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

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.

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

Net cost of policing of the PCC is debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

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

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

Property, plant and equipment

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

Recognition

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

All expenditure on the acquisition, creation or enhancement and disposal of non-current assets is capitalised subject to a de-minimis threshold of £10,000. Expenditure below this amount on an individual asset is treated as revenue, with the following exceptions:

- Desktop and laptop computers and tablets
- Monitors
- Communication devices including radios
- Servers
- Software licences
- Firearms including TASERs
- Vehicles with a life exceeding 12 months
- Annual Assets (projects incurring expenditure throughout the year which are not classified as assets under construction)
- Where government grant funding has been sought and received for specific expenditure on the assumption that both the grant and expenditure are treated as capital

Measurement

Assets are initially measured at cost, comprising:

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

The Group does not capitalise borrowing costs incurred on the acquisition or construction of fixed assets.

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

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

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

- Assets under construction – historic cost until the asset is live (assets under construction are not depreciated).
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the net cost of policing of the PCC in the CIES.

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

<u>Impairment</u>

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

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

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

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

<u>Depreciation</u>

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

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

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

Fair Value Measurement

The Group measures some of its non-financial assets such as surplus assets and investment properties at fair value on each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability

The Group measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Group's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Intangible assets

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

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

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

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

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

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

Council Tax

Billing authorities act as agents, collecting council tax on behalf of the major preceptors, which includes the PCC. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax collected could be less or more than predicted.

The council tax income included in the CIES is the PCC's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the PCC's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The Balance Sheet includes the PCC's share of the end of year balances in respect of council tax relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Employee benefits

<u>Benefits payable during employment</u>

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.

<u>Termination benefits</u>

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 MIRS, 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.

<u>Post-employment benefits</u>

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

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

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

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

All three of the police schemes are unfunded and therefore do not have any assets. Benefits are funded from the contributions made by currently serving officers 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 debited to the net cost of policing in the CIES. 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.
- 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 Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that in the MIRS there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

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

Financial instruments

Financial liabilities

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The PCC's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The PCC recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the PCC.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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 Group when there is reasonable assurance that:

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

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

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

Investment policy

The PCC works closely with its external treasury advisors Link Asset Services to determine the criteria for high quality institutions. The criteria for providing a pool of high quality investment counterparties for inclusion on the PCC's 'Approved Authorised Counterparty List' is provided below:

- UK Banks which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

- Non-UK Banks domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the three credit rating agencies:

Non-UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- Part Nationalised UK Banks;
- The PCC's Corporate Banker (Lloyds Bank) – if the credit ratings of the PCC's Corporate Banker fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time;
- Building Societies (which meet the minimum ratings criteria for UK Banks);
- Money Market Funds (which are rated AAA by at least one of the three major rating agencies);
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2019/20 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

Joint operations and joint assets

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

Joint assets are items of property, plant and equipment that are jointly controlled by the Group and other bodies, with the assets being used to obtain benefits for these bodies. The joint operation does not involve the establishment of a separate entity. The Group accounts for only its share of the joint assets, and the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the arrangement.

Leases

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

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

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

<u>The PCC as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

<u>The PCC as Lessor</u>

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the net cost of policing line in the CIES. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Private Finance Initiative (PFI) and similar contracts

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

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

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

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

- Fair value of the services received during the year – debited to the Chief Constable's net cost of policing in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – these are included as part of the unitary payment such that the supplier absorbs any peaks and troughs throughout the life of the contract.

Provisions

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

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

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

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

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

Contingent Liabilities

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

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

Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the MIRS. 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 MIRS so that there is no net charge against council tax for the expenditure.

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

<u>Revaluation Reserve</u>

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

Capital Adjustment Account

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

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

Value Added Tax

VAT payable is included as an expense 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 Group's CIES, 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.

Going Concern

The Code stipulates that the financial statements of local authorities that can only be discontinued under statutory prescription shall be prepared on a going concern basis. This assumption is made because local authorities carry out functions essential to the local community, and cannot be created or dissolved without statutory prescription. Transfers of services under combinations of public sector bodies do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting. However, in order to assist External Audit with establishing their going concern conclusion, a review of going concern is carried out by management.

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

The Financial Statements have been prepared in accordance with the Code which is based on International Financial Reporting Standards (IFRSs).

The amendments required to be adopted under the 2020/21 Code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- Amendments to References to the *Conceptual Framework* in IFRS Standards
- Amendments to line item specifications for the net assets statement of a defined benefit pension fund

Application of the IFRSs referred to above, as adopted by the Code, is required by 1 April 2020, and these IFRSs will be initially adopted as at 1 April 2020. The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

It is not expected that the adoption of any of the standards listed above will have a material effect on the 2020/21 financial statements.

The new leasing standard, IFRS 16 Leases, had been due to be implemented from 2020/21. However, due to the widespread impact of the COVID-19 global pandemic, the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of this standard for one year in line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

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 2020/21 in regard of what the PCC will receive from the government and 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 taken over the obligations arising from a PFI contract entered into by the former Police Authority. The 30 year PFI contract was for the provision of newly built Police Investigation Centres, title to the assets will be retained by the PCCs of both Norfolk and Suffolk on completion of the contract. Associated assets have been capitalised and treated "on Balance Sheet" as required by IFRS.

- The PCC 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 accounts. 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 2019/20 and are reflected in the financial statements.

- Establishing the valuation of operational and residential properties. Depreciation is a calculation based on asset value and expected useful life of the assets. If the useful life of an asset is reduced then the depreciation charge to the CIES will increase. The PCC monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year.

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £154.2m.

The McCloud and Sargeant Judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. There was protection provided for older members under each scheme. The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant judgements on 27 June 2019. This means that the various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes. There is as yet no regulation around the calculation of the liabilities arising from these remedies, or what the mechanism for meeting any shortfall will be.

The value of the LGPS pension fund assets is calculated by the actuary as part of the formal triennial valuation process, and rolled forward to the balance sheet date, allowing for any movements in the year. These movements include investment returns, which may be estimated where necessary. However, the figure for 2019/20 incorporates actual returns for the period 1 April 2019 to 31 March. Investment returns have been significantly lower than expected, particularly in the last two months of the accounting period.

Property, Plant and Equipment

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

Land £11.2m

Property £36.0m

The main factors which might cause significant material changes in the property valuations are the United Kingdom leaving the EU (Brexit) on 31 January 2020, and the COVID-19 global pandemic which was declared in the last quarter of the financial year. The former is one of the most significant economic events for the UK and is still subject to unprecedented levels of uncertainty, with the full range of possible effects unknown. The valuer has approached their valuation advice based on evidence preceding the Brexit deadline as it is not possible to predict the unknowable factors or all possible future implications resulting from current events surrounding Brexit. However, as at the balance sheet date, the COVID-19 pandemic had significantly overshadowed Brexit, and the effects on the property market were not yet able to be quantified or predicted with any degree of confidence as there is no comparable event to look back on in recent history. The valuations are therefore based on evidence and the valuer's view of the property market since 1 April 2019 up to the point the pandemic was declared or became evident in the UK, but were originally reported on the basis of a material valuation uncertainty. Subsequently, although the pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally, some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, if the properties were to be valued as at the end of September, the valuation would not be reported as subject to material valuation uncertainty.

Although the valuation estimate is based on the valuer's professional judgement, the following table shows the impact of an overall percentage fall in asset valuations on the balance sheet and CIES.

	Impact of a percentage drop in asset valuations		
	1%	**10%**	**20%**
	£000	**£000**	**£000**
Change in the carrying value of assets	(472)	(4,717)	(9,434)
Change in the revaluation reserve	(379)	(3,696)	(7,194)
Additional charge to Other Comprehensive Income and Expenditure in the CIES	93	1,021	2,240

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

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

The PCC 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 are 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.

6. Notes to the Expenditure and Funding Analysis

Adjustments between the CIES and the General Fund – Group

Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2018/19 £000		Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2019/20 £000
				Year Ended 31 March				
-	80,579	(51)	80,528	Constabulary	-	19,433	223	19,656
6,134	106	-	6,240	Office of the PCC	6,017	102	-	6,119
-	-	-	-	PCC commissioning	-	-	-	-
6,134	**80,686**	**(51)**	**86,768**	**Net Cost of Police Services**	**6,017**	**19,535**	**223**	**25,776**
(2,770)	16,884	(31)	14,083	Other income and expenditure	(5,515)	15,123	(110)	9,497
3,364	**97,570**	**(83)**	**100,851**	**Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)**	**502**	**34,658**	**113**	**35,273**

Adjustments between the CIES and the General Fund – PCC

Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2018/19 £000		Adjustment for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments 2019/20 £000
				Year Ended 31 March				
6,134	106	-	6,240	Office of the PCC	6,017	102	-	6,119
-	-	-	-	PCC commissioning	-	-	-	-
6,134	**106**	**-**	**6,240**	**Net Cost of Police Services**	**6,017**	**102**	**-**	**6,119**
(2,770)	24	(31)	(2,777)	Other income and expenditure	(5,515)	30	(110)	(5,595)
3,364	**130**	**(31)**	**3,463**	**Difference between General Fund Deficit/(Surplus) & CIES Deficit/(Surplus)**	**502**	**132**	**(110)**	**524**

Expenditure and Income Analysed by Nature

Total Constab' £000	Total Office of the PCC £000	Total PCC's Comm' £000	Total Group 2018/19 £000	Total PCC 2018/19 £000		Total Constab' £000	Total Office of the PCC £000	Total PCC's Comm' £000	Total Group 2019/20 £000	Total PCC 2019/20 £000
					Expenditure					
178,880	816	-	**179,696**	**816**	Employee benefits expenses	124,341	783	-	**125,124**	**783**
20,193	1,602	1,645	**23,441**	**3,248**	Other service expenditure	20,416	2,146	1,685	**24,246**	**3,831**
-	6,134	-	**6,134**	**6,134**	Depreciation, amortisation, impairment	-	6,017	-	**6,017**	**6,017**
37,130	24	-	**37,154**	**24**	Net pensions interest cost	35,615	30	-	**35,645**	**30**
-	2,383	-	**2,383**	**2,383**	Interest payments	-	1,711	-	**1,711**	**1,711**
-	80	-	**80**	**80**	Loss on the disposal of assets	-	(503)	-	**(503)**	**(503)**
-	5	-	**5**	**5**	(Gains) / losses from derecognition of financial assets carried at amortised cost	-	2	-	**2**	**2**
236,203	**11,044**	**1,645**	**248,893**	**12,689**	**Total Expenditure**	**180,372**	**10,186**	**1,685**	**192,243**	**11,870**
					Income					
(5,877)	(205)	(20)	**(6,102)**	**(225)**	Fees, charges and other service income	(7,117)	(2,131)	-	**(9,248)**	**(2,131)**
-	(73)	-	**(73)**	**(73)**	Interest and investment income	-	(89)	-	**(89)**	**(89)**
-	(47,174)	-	**(47,174)**	**(47,174)**	Income from council tax	-	(53,677)	-	**(53,677)**	**(53,677)**
(659)	(92,946)	(879)	**(94,485)**	**(93,825)**	Government grants and contributions	(2,052)	(94,775)	(920)	**(97,747)**	**(95,695)**
(6,537)	**(140,398)**	**(899)**	**(147,834)**	**(141,297)**	**Total Income**	**(9,169)**	**(150,672)**	**(920)**	**(160,761)**	**(151,592)**
229,667	**(129,354)**	**747**	**101,059**	**(128,608)**	**Deficit/(Surplus) on the Provision of Services**	**171,203**	**(140,486)**	**764**	**31,482**	**(139,722)**
				132,278	**Intra-group funding (PCC Only)**					**136,454**
229,667	**(129,354)**	**747**	**101,059**	**3,670**	**Deficit/(Surplus) on the Provision of Services after Intra Group Funding**	**171,203**	**(140,486)**	**764**	**31,482**	**(3,267)**

7. Government Grants

The following Government grants and contributions to the CIES during the year:

	Group		PCC	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Credited to Taxation and Non Specific Grant Income				
General police grant	41,028	40,155	41,028	40,155
Council tax support grant	4,891	4,891	4,891	4,891
Council tax freeze grant	1,895	1,895	1,895	1,895
Capital grants and contributions	487	457	487	457
Former MHCLG funding	22,990	22,547	22,990	22,547
Precepts	53,677	47,174	53,677	47,174
	124,967	**117,118**	**124,967**	**117,118**
Credited to Other Operating Expenditure				
Home Office contribution to police pensions	20,522	20,270	20,522	20,270
	20,522	**20,270**	**20,522**	**20,270**
Credited to Services				
Police incentivisation	184	152	-	-
Counter terrorism	-	4	-	-
Specific grant for Police Pension	1,163	-	-	-
PFI grant	2,733	2,733	2,733	2,733
Other specific grants	1,843	1,383	1,137	879
	5,922	**4,271**	**3,870**	**3,612**

8. Employees' Remuneration

The numbers of employees and senior police officers (Chief Superintendent and above) whose remuneration exceeded £50k in 2019/20 were as follows:

Group			PCC	
2019/20	2018/19	Remuneration	2019/20	2018/19
13	9	£50,000 - £54,999	1	-
5	5	£55,000 - £59,999	-	-
3	-	£60,000 - £64,999	-	-
1	2	£70,000 - £74,999	1	1
1	-	£75,000 - £79,999	1	-
-	1	£80,000 - £84,999	-	-
3	2	£85,000 - £89,999	-	-
2	3	£90,000 - £94,999	-	-
-	2	£95,000 - £99,999	-	-
1	1	£100,000 - £104,999	-	1
1	-	£105,000 - £109,999	-	-
2	1	£110,000 - £114,999	1	1
1	1	£125,000 - £129,999	-	-
-	1	£150,000 - £154,999	-	-
1	-	£155,000 - £159,999	-	-

"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."

During 2018/19, within the £90,000 - £94,999 band for the Group is an FTE relating to the CFO. The CFO acted as CFO for the Chief Constable and the PCC. The OPCC share of the FTE based on apportionment of salary is outside of the above bandings.

The above bandings include payment for loss of office made to one employee in 2019/20 (2018/19 – one).

In addition to the above the Accounts and Audit Regulations 2015 require a detailed disclosure of employees' remuneration for relevant police officers, those holding statutory office and other persons with a responsibility for management of the OPCC. 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	Compensation for Loss of Office £000	Benefits in Kind and Expenses £000	Total £000
2019/20					
Position held					
Chief Constable - Gareth Wilson (Ret'd 09.04.19)	4	1	-	-	5
Chief Constable - Stephen Jupp - from 10.04.19	157	-	-	5	162
Deputy Chief Constable	128	37	-	3	168
Temporary Assistant Chief Constable	115	27	-	7	149
Temporary Assistant Chief Constable (from 25.11.19)	101	28	-	3	132
Assistant Chief Officer (from 08.04.19)	105	23	-	27	155
Police and Crime Commissioner	77	17	-	-	94
Chief Executive (PCC)	112	26	-	-	138
Chief Finance Officer (PCC) - 0.8 FTE	71	16	-	-	87
2018/19					
Position held					
Chief Constable - Gareth Wilson	147	34	-	5	186
Temporary Deputy Chief Constable (retired 31.12.18)	93	-	-	4	97
Deputy Chief Constable (from 01.01.19) Assistant Chief Constable (to 31.12.18)	119	28	-	5	151
Temporary Assistant Chief Constable (from 01.01.19)	90	20	-	1	111
CFO to the Chief Constable - 0.5 FTE	52	12	-	-	64
Police and Crime Commissioner	71	17	-	-	88
Chief Executive (PCC)	111	26	-	-	137
Deputy Chief Executive (PCC) (to 02.05.18)	46	2	58	-	106
Chief Finance Officer (PCC) - 0.5 FTE	42	10	-	-	51

During 2019/20 and until 24.11.19, a chief officer from Norfolk Constabulary acted as Assistant Chief Constable (ACC) in a joint capacity, Suffolk Constabulary contributed 43% towards the cost of this post. From 25.11.19 this officer was seconded to Suffolk Constabulary as a Deputy Chief Constable (DCC).

From 25.11.19 a Suffolk Constabulary officer acted as a Temporary ACC in a joint capacity, Norfolk Constabulary contribute 57% towards the cost of this post.

From 25.11.19 another Suffolk officer acted as a DCC in a joint capacity. Norfolk Constabulary contribute 57% 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.

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. For 2018/19 the Group values include exit packages paid in relation to the PCC's Office within the £40k - £60k band. 2019/20 values include costs of £61k in relation to those made redundant in 2018/19 which had not been provided for.

2018/19 comparators have been restated as pension strain costs were incorrectly attributed, therefore meaning that the values were incorrect for two bandings.

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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20 £000	2018/19 £000
£000		Restated				Restated		Restated
Group								
0 - 20	3	8	1	1	4	9	61	33
20 - 40	1	7	-	1	1	8	63	298
40 - 60	-	1	-	1	-	2	-	111
60 - 80	-	1	-	-	-	1	-	64
100 - 150	-	1	-	-	-	1	-	131
150 - 200	1	-	-	-	1	-	163	-
	5	18	1	3	6	21	287	638

9. Related Party Transactions

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

During 2019/20 there were no material related party transactions involving officers of the PCC or senior officers of the Constabulary, other than those included under employees remuneration set out in Note 8 of these financial statements. The PCC and other senior officers have been written to requesting details of any related party transactions and there are no disclosures.

Central Government has effective control over the general operations of the PCC, it is responsible for providing the statutory framework within which the PCC operates, provides the majority of its funding and prescribes the terms of many of the transactions that the PCC has with other parties. Income from central government is set out in Note 7 of these financial statements.

Norfolk and Suffolk Constabularies have implemented significant collaborative arrangements, these are fully disclosed in Note 10.

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

10. Collaborative Arrangements

Local Collaboration

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 £000	Justice Services £000	Protective Services £000	County Policing £000	Total £000
2019/20					
Suffolk PCC	17,272	10,614	15,104	1,523	44,513
Norfolk PCC	22,895	14,070	20,022	2,018	59,006
Total shared running costs	**40,167**	**24,685**	**35,127**	**3,541**	**103,520**
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**

Regional Collaboration

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 2019/20 £000	Total 2018/19 £000
Operating costs	21,834	20,469
Specific Home Office grant	(4,336)	(4,659)
Other income	-	(300)
Total deficit for the year	**17,498**	**15,510**
Contributions from forces:		
Bedfordshire	(1,997)	(1,843)
Cambridgeshire	(2,567)	(2,376)
Essex	(1,953)	(1,434)
Hertfordshire	(3,607)	(3,351)
Kent	(2,249)	(1,735)
Norfolk	(2,918)	(2,696)
Suffolk	(2,207)	(2,047)
Deficit for the year	**-**	**27**
Suffolk underspend held in Balance Sheet	**-**	**60**

7Force Procurement

The business case to collaborate 7Force Procurement was agreed at the Eastern Region Summit on 10 July 2018.

During 2019/20, procurement services across the seven forces; Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk and Suffolk have been collaborated to a single 7Force Procurement function. This is the first full seven force function to go live across the Eastern region.

As a partnership of seven forces, this will create the second largest contracting body in police procurement nationally. This provides greater economies of scale and better presence and 'buying power' for value for money contracts in the market place.

The 7Force Procurement vision is to enable the delivery of an effective Police service and provide support for victims of crime in the eastern region by procuring and managing a high quality, value for money supply chain.

The 7Force Single Procurement Function was implemented during 2019/20 using a phased approach. The Senior Leadership Team went live on 1 September 2019, the Commercial Development and Governance team on 1 November 2019 and the Category Management team on 6 January 2020.

The net expenditure incurred by each force is as follows:

	Total 2019/20 £000
Operating costs	1,033
Contributions from forces:	
Bedfordshire	85
Cambridgeshire	110
Hertfordshire	154
Essex	226
Kent	238
Norfolk	125
Suffolk	94
	1,033

National Collaboration:

National Police Air Service

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 provides a 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 £0.28m (2018/19 £0.48m) was payable to West Yorkshire PCC in respect of the NPAS service provided. At 31 March 2020, West Yorkshire PCC owed Suffolk PCC £0.75m (31 March 2019 £0.95m) in respect of the Suffolk airframe. The balance is due to be paid in annual instalments up until 2024/25.

11. Council Tax

The Suffolk district and borough councils are required to collect the amount of council tax determined by the PCC for policing the county. In 2019/20 the precept, including the estimated 2018/19 collection fund surplus, was paid to the PCC during the year and amounted to £53.6m distributed as shown below. The Code requires that Council Tax income included in the CIES for the year should be prepared on an accruals basis. The cash received from the billing authorities is therefore adjusted for the PCC's share of the outturn opening and closing balances on the Collection Fund. These adjustments are however then taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS to ensure that only the statutory amount is credited to the General Fund.

On 1 April 2019, the former Forest Heath District Council and St Edmundsbury Borough council joined to form West Suffolk Council, while the former Suffolk Coastal District Council and Waveney District Council joined to form East Suffolk Council. The comparators for the predecessor bodies have therefore been combined as if the new councils had been in place as at 31 March 2019.

The figures credited to the CIES are broken down as follows:

2018/19 £000		Received from Billing Authority £000	Outturn surplus/(deficit) on Collection Fund at 31.3.19 £000	31.3.20 £000	Total 2019/20 £000
6,225	Babergh District Council	7,105	9	3	7,098
16,369	East Suffolk Council	18,458	332	416	18,542
7,253	Ipswich Borough Council	8,203	75	97	8,225
6,892	Mid Suffolk District Council	7,861	26	46	7,881
10,435	West Suffolk Council	11,940	197	188	11,931
47,174		**53,566**	**639**	**750**	**53,677**

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

Balance at 31.3.19 £000		Collection Fund £000	Net Arrears £000	Prepayments £000	Balance at 31.3.20 £000
49	Babergh District Council	(3)	110	(37)	71
(415)	East Suffolk Council	(416)	288	(495)	(623)
175	Ipswich Borough Council	(97)	371	(84)	189
38	Mid Suffolk District Council	(46)	118	(29)	42
(250)	West Suffolk Council	(188)	357	(297)	(128)
(403)		**(750)**	**1,244**	**(943)**	**(448)**

12. External Audit Fees

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

2018/19 £000		2019/20 £000
	The Group has incurred the following costs in relation to the audit of the Statement of Accounts:	
28	The PCC for Suffolk	24
17	The Chief Constable of Suffolk	12
45		**36**

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

The 2019/20 audit fees do not include any amount in respect of the 2018/19 audit. However, in 2018/19 an approved increase to the original scale fee for 2017/18 of £4.0k attributable to the PCC and £5.4k attributable to the Chief Constable was included.

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

13. Non-Current Assets

Land and buildings £000	Vehicles plant and equipment £000	Assets under con-struction £000	Surplus assets £000	Total £000		Land and buildings £000	Vehicles plant and equipment £000	Assets under con-struction £000	Surplus assets £000	Total £000
	Movements in 2018/19						Movements in 2019/20			
					Property, Plant & Equipment					
					Historic cost or revaluation					
45,668	29,569	985	1,180	77,402	Balance at 1 April	44,611	26,541	243	1,178	72,573
347	54	(1,491)	-	(1,090)	Reclassifications	-	476	(83)	(1,178)	(785)
761	2,891	749	-	4,401	Additions	1,433	3,502	544	-	5,479
-	(5,973)	-	-	(5,973)	Derecognition - disposals	(464)	(5,370)	-	-	(5,834)
(2,165)	-	-	(2)	(2,167)	Revaluation gains/(losses)	3,491	-	-	-	3,491
44,611	**26,541**	**243**	**1,178**	**72,573**	**Balance at 31 March**	**49,071**	**25,150**	**704**	**-**	**74,925**
					Depreciation and impairments					
4,566	21,613	-	9	26,188	Balance at 1 April	1,966	17,982	-	-	19,948
(2)	-	-	-	(2)	Reclassifications	-	128	-	-	128
(4,490)	-	-	(9)	(4,499)	Depreciation written out on revaulation	(1,798)	-	-	-	(1,798)
-	(5,853)	-	-	(5,853)	Derecognition - disposals	(39)	(5,306)	-	-	(5,345)
1,893	2,222	-	-	4,115	Depreciation for the year	1,774	2,446	-	-	4,220
1,966	**17,982**	**-**	**-**	**19,948**	**Balance at 31 March**	**1,904**	**15,251**	**-**	**-**	**17,154**
41,101	7,956	985	1,171	51,214	Opening Net book value	42,644	8,559	243	1,178	52,624
42,644	**8,559**	**243**	**1,178**	**52,624**	**Closing Net book value**	**47,168**	**9,899**	**704**	**-**	**57,771**

2018/19		2019/20
	Revaluation movements above are reflected in the CIES as follows:	
1,005	Charged to the Net Cost of Services	1,006
(3,337)	Charged/(credited) to Other Comprehensive Income and Expenditure	(6,295)
(2,332)		**(5,290)**

Assets under construction are assets that are not yet operationally complete, the balance relates to expenditure on land and buildings (£360k), Plant and Equipment (£120k) and IT Systems (£224k).

Included in land and buildings is land at Bury St Edmunds on which a Police Investigation Centre (PIC) has been built. Although the PCC has legal title to the land, it only owns 70% of the beneficial interest in the land, the remaining 30% is owned by Norfolk PCC, who is co-occupier of the centre. Therefore only 70% of the current value of the land is included in the table above, amounting to £679k. The PCC also paid 50% of the cost of land purchased by Norfolk PCC at Great Yarmouth, the current value of this land in the balance sheet amounts to £315k.

The depreciation and amortisation policy is set out in Note 1. Assets have been depreciated on a straight-line basis over their economic useful lives.

Intangible Assets

Software licences £000 31 March 2019		Software licences £000 31 March 2020
	Purchased intangible assets	
	Historic cost or revaluation	
6,939	Balance at 1 April	7,937
911	Reclassifications	(393)
144	Additions	247
(57)	Derecognition - disposals	(9)
7,937	**Balance at 31 March**	**7,782**
	Amortisation	
3,693	Balance at 1 April	4,651
-	Reclassifications	(128)
1,014	Amortisation for the year	792
(57)	Derecognition - disposals	(9)
4,651	**Balance at 31 March**	**5,305**
3,246	Opening Net book value	3,286
3,286	**Closing Net book value**	**2,477**

Valuations

Land and buildings

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

In order to calculate buildings depreciation the valuers have provided separate valuations for the land and building elements of each property valuation. The valuers also provide an estimate of the remaining economic useful life of the assets. They are also asked to carry out an annual desktop assessment of the remaining

properties on which no formal valuation was carried out in the year, reporting if there is a material movement on asset values in the year.

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

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

Vehicles, Plant and Equipment and Software Licences

Vehicles, plant and equipment and software licences are valued at depreciated historic cost as a proxy for current value.

The breakdown of the property, plant and equipment current value by valuation basis at the year-end is as follows:

	Other land and buildings £000	Vehicles plant and equipment £000	Assets under con-struction £000	Surplus assets £000	Total £000
Carried at historical cost	2,278	9,899	704	-	12,881
Valued at fair value during year ended:					
31 March 2020	37,334	-	-	1,178	38,512
31 March 2019	4,552	-	-	-	4,552
31 March 2018	-	-	-	-	-
31 March 2017	674	-	-	-	674
31 March 2016	2,157	-	-	-	2,157
31 March 2015	167	-	-	-	167
31 March 2011	5	-	-	-	5
Balance at 31 March	**47,168**	**9,899**	**704**	**1,178**	**58,949**

14. Financing of Capital Expenditure

Capital financing is accounted for on an accruals basis. The sources of capital finance in 2019/20 are set out below.

2018/19 £000		2019/20 £000
35,270	Opening capital financing requirement	36,154
	Capital investment	
144	Intangible fixed assets	247
3,652	Operational assets	4,935
749	Non operational assets	544
	Sources of finance	
(738)	Capital receipts applied	(1,367)
(529)	Government grants and other contributions	(516)
(1,715)	Direct revenue contributions	(2,175)
(678)	Revenue provision including MRP	(2,337)
36,154	**Closing capital financing requirement**	**35,485**
	Explanation of movements in year	
884	Increase/(decrease) in underlying need to borrow	(669)
884	**Increase/(decrease) in capital financing requirement**	**(669)**

The Minimum Revenue Provision (MRP) is a mechanism to set aside revenue funds for the redemption of debt. The Local Authorities (Capital Finance and Accounting) Regulations 2015 are issued under Section 21 of the Local Government Act 2003 and now allow authorities a variety of options in calculating their MRP. The options chosen were that MRP calculated using Option 2 be used for capital expenditure up to and including 31 March 2008 and Option 3 for all capital expenditure thereafter using the equal instalment method until 2018/19 and the annuity method from 2019/20. Option 3 results in MRP charged over the assets remaining useful life. Accounting for PFIs and Finance Leases require that on balance sheet assets are also funded through MRP, the amount charged is equivalent to the capital element of the liability repaid during the year. The total amount charged to MRP in 2019/20 was £2,337k (2018/19 - £678k).

15. Private Finance Initiative

On 23 February 2010 Norfolk and Suffolk Police Authorities signed a 30 year PFI contract to construct and operate six Police Investigation Centres (PICs) within the two counties. Three of the PICs are shared, two between Norfolk and Suffolk and one between Norfolk and Cambridgeshire. In addition Norfolk operates a further two sites and Suffolk a further one. The land percentage splits on the Norfolk and Suffolk shared sites and the associated land values are disclosed in Note 13.

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

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

			Capital Contract	Historic Cost in Suffolk	
	Norfolk	Suffolk	Value	31.3.20	31.3.19
Sites and opening dates	**Cells**	**Cells**	**£000**	**£000**	**£000**
Aylsham - 28.2.11	8	-	6,967	-	-
Wymondham - 4.4.11	30	-	11,398	-	-
King's Lynn - 25.4.11	24	-	10,749	-	-
Ipswich - 6.6.11	-	30	12,012	12,012	12,012
Bury St Edmunds - 4.7.11	8	16	10,621	7,081	7,081
Gt Yarmouth - 7.11.11	15	15	12,680	6,340	6,340
	85	**61**	**64,427**	**25,433**	**25,433**

The PCC makes an agreed payment each year, which can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed, however 31.5% of the charge is increased annually by inflation (RPIX). Suffolk's share of the estimated payments remaining to be made under the PFI contract at 31 March 2020 (excluding availability/performance deductions) are shown in the adjacent table:

	Revenue Services £000	Capital Payments £000	Interest £000	Contingent Rent £000	Total £000
Payable in 2020/21	1,413	403	2,041	22	3,879
Payable within two to five years	5,428	2,494	7,700	280	15,903
Payable within six to ten years	9,222	3,228	8,433	(61)	20,822
Payable within eleven to fifteen years	10,662	5,018	6,537	(219)	21,998
Payable within sixteen to twenty years	9,710	9,271	3,464	884	23,329
Payable within twenty one to twenty five years	3,804	1,437	123	(936)	4,428
	40,239	**21,851**	**28,299**	**(31)**	**90,359**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital remains to be reimbursed. During 2019/20 a review of the original PFI model was carried out and it was concluded that although materially accurate, it did not follow Code principles. The model was revised, resulting in an adjustment to the opening liability of £863k, reciprocal opening adjustments were made to MRP, PFI interest and contingent rent. The movement in the capital liability on the Suffolk PCC Balance Sheet during the year is per the adjacent table.

	2019/20 £000	2018/19 £000
Balance outstanding at the beginning of the year	23,107	23,463
Restatement of opening balance arising from remodelling of PFI liabilities	(863)	-
Capital repayments during the year	(394)	(356)
Capital expenditure incurred in the year	-	-
Balance outstanding at year end	**21,851**	**23,107**

The net book value of the assets capitalised as part of the PFI contract is per the adjacent table:

	2019/20 £000	2018/19 £000
Net book value at the beginning of the year	18,412	17,217
Depreciation during the year	(911)	(954)
Revaluations during the year	4,162	2,148
Net book value at the end of the year	**21,663**	**18,412**

16. Retirement Benefits

Participation in pension schemes

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

a) The Local Government Pension Scheme (LGPS) for PCC and Constabulary police staff, administered by Suffolk County Council – this is a funded defined benefit scheme, meaning that the employers and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pension 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 2019 as 31% of pensionable pay. A pensions top-up grant from the Home Office is received which funds contributions to a level of 21.3% and in 2019/20 a specific grant of £1.2m was received to part fund the cost of the recent change in contribution rates. The CIES 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 Group's operation of the Local Government Pension Scheme (administered by Suffolk County Council) and the Police Pension Schemes in providing police staff and police officers with retirement benefits. In addition, the Group has arrangements for the payment of discretionary benefits to certain retired employees outside of the provisions of the schemes.

The following transactions have been made in the CIES and the General Fund via the MIRS during the year:

	Group				PCC	
	LGPS		Police Pension Schemes		LGPS	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Comprehensive Income and Expenditure Statement						
Cost of services						
Current service costs	11,370	9,377	28,100	26,122	219	192
Past service costs	64	1,072	163	61,060	-	18
Financing and investment income and expenditure						
Net interest expense	1,710	1,301	33,935	35,853	30	24
Total post employment benefit charges to the Deficit on the Provision of Service	**13,144**	**11,750**	**62,198**	**123,035**	**249**	**234**
Other post employment benefit charged to the CIES						
Return on plan assets (excluding the amount included in the net interest expense)	17,217	(5,724)	-	-	(1,321)	(99)
- Actuarial (gains)/losses arising from changes in demographic assumptions	(5,517)	-	(10,382)	(96,396)	(125)	-
- Actuarial (gains)/losses arising from changes in financial assumptions	(28,465)	22,405	(128,662)	97,999	(435)	364
- Other	(13,044)	(96)	(9,133)	24,694	1,137	(12)
	(29,809)	16,585	(148,177)	26,297	(744)	253
Total post employment benefit charged to the CIES	**(16,665)**	**28,335**	**(85,979)**	**149,332**	**(495)**	**487**
Movement in Reserves Statement (MIRS):						
Reversal of net charges made to the CIES for post employment benefits in accordance with the Code	**16,665**	**(28,335)**	**85,979**	**(149,332)**	**495**	**(487)**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	6,059	5,908	-	-	117	104
Retirement benefits payable to pensioners	-	-	34,625	31,307	-	-
Net charge to the General Fund	**6,059**	**5,908**	**34,625**	**31,307**	**117**	**104**

Assets and liabilities in relation to retirement benefits

	Group						PCC	
	Local Government Pension Scheme		Police Pension Schemes		Total		Local Government Pension Scheme	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of liabilities	(226,799)	(258,821)	(1,296,283)	(1,416,887)	(1,523,082)	(1,675,708)	(5,295)	(4,480)
Fair value of plan assets	181,099	190,397	-	-	181,099	190,397	4,712	3,285
Total Net Liabilities	**(45,700)**	**(68,424)**	**(1,296,283)**	**(1,416,887)**	**(1,341,983)**	**(1,485,311)**	**(583)**	**(1,195)**

Reconciliation of present value of the scheme liabilities

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April	258,821	222,329	1,416,887	1,298,862	4,480	3,815
Current service cost	11,370	9,377	28,100	26,122	219	192
Interest cost	6,328	6,106	33,935	35,853	109	106
Contributions by scheme participants	1,647	1,550	5,457	5,499	45	44
Remeasurement (gains) and losses:						
- Actuarial (gains)/losses arising from changes in demographic assumption	(5,517)	-	(10,382)	(96,396)	(125)	-
- Actuarial (gains)/losses arising from changes in financial assumptions	(28,465)	22,405	(128,662)	97,999	(435)	364
- Other	(13,005)	17	(9,133)	24,694	1,138	-
Past service costs	64	1,072	163	61,060	-	18
Benefits paid	(4,444)	(4,035)	(40,082)	(36,806)	(136)	(59)
Closing Balance at 31 March	**226,799**	**258,821**	**1,296,283**	**1,416,887**	**5,295**	**4,480**

Reconciliation of fair value of scheme assets

	Group				PCC	
	Funded Assets Local Government Pension Scheme		Unfunded Assets Police Pension Schemes		Funded Assets Local Government Pension Scheme	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening fair value of scheme assets at 1 April	190,397	176,332	-	-	3,285	3,003
Interest income	4,618	4,805	-	-	79	82
Remeasurement gain/(loss):						
- the return on plan assets, excluding the amount included in the net interest expense	(17,217)	5,724	-	-	1,321	99
Other	39	113	-	-	1	12
Contributions from employer	6,059	5,908	34,625	31,307	117	104
Contributions from employees into the scheme	1,647	1,550	5,457	5,499	45	44
Benefits paid	(4,444)	(4,035)	(40,082)	(36,806)	(136)	(59)
Closing fair value of scheme assets at 31 March	**181,099**	**190,397**	**-**	**-**	**4,712**	**3,285**

The total net pensions liabilities of £1,341m represent the long run commitments in respect of retirement benefits and results in the balance sheet showing net overall liabilities of £1,304m. However, the financial position of the PCC remains sound as the liabilities will be spread over many years as follows:

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

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

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.

	Group Fair Value of Scheme Assets				PCC Fair Value of Scheme Assets			
	31 March 2020 £000	%	31 March 2019 £000	%	31 March 2020 £000	%	31 March 2019 £000	%
Cash and cash equivalents	**2,985**	**1.65**	**2,684**	**1.41**	**78**	**1.65**	**46**	**1.41**
Equity Instruments - industry type:								
- Consumer	4,568		12,421		119		214	
- Manufacturing	1,942		5,784		51		100	
- Energy and utilities	864		3,021		23		52	
- Financial institutions	2,108		5,681		55		98	
- Health and care	1,396		3,269		36		56	
- Information technology	743		5,938		19		103	
- Other	1,519		1,658		40		29	
Sub total equity	**13,140**	**7.26**	**37,771**	**19.84**	**342**	**7.25**	**652**	**19.84**
Bonds - by sector								
- Corporate	40,559		42,874		1,055		740	
Sub total Bonds	**40,559**	**22.40**	**42,874**	**22.52**	**1,055**	**22.40**	**740**	**22.52**
Property - by type								
- UK property	17,524		19,430		456		335	
Sub total property	**17,524**	**9.68**	**19,430**	**10.21**	**456**	**9.68**	**335**	**10.20**
Private equity - all:	**7,859**	**4.34**	**7,839**	**4.12**	**205**	**4.34**	**135**	**4.12**
Other investment funds:								
- Equities	60,526		41,793		1,575		721	
- Bonds	14,668		7,410		382		128	
- Hedge Funds	10,787		18,266		281		315	
- Infrastructure	9,828		8,469		256		146	
- Other	3,149		3,768		82		65	
Sub total other investment funds	**98,957**	**54.64**	**79,706**	**41.86**	**2,575**	**54.64**	**1,375**	**41.87**
Derivatives:								
- Foreign exchange	75		93		2		2	
Sub total derivatives	**75**	**0.04**	**93**	**0.05**	**2**	**0.04**	**2**	**0.05**
Total Assets	**181,099**	**100**	**190,396**	**100**	**4,712**	**100**	**3,285**	**100**

The Police Pension Schemes have no assets to cover their liabilities, the Group’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 adjacent table.

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 Pension Scheme		**Police Pension Schemes**	
	2019/20	**2018/19**	**2019/20**	**2018/19**
Mortality assumptions:				
Longevity at 65 (LGPS) and 60 (PPS) for current pensioners				
Men	21.9	21.9	27.2	27.3
Women	24.1	24.4	29.2	29.4
Longevity at 65 (LGPS) and 60 (PPS) for future pensioners				
Men	22.7	23.9	28.3	28.4
Women	25.6	26.4	30.4	30.6
Rate of inflation (CPI)	1.8%	2.5%	2.8%	3.5%
Rate of increase in salaries	2.5%	2.8%	2.8%	3.5%
Rate of increase in pensions	1.8%	2.5%	1.9%	2.5%
Rate for discounting scheme liabilities	2.3%	2.4%	2.3%	2.4%

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 analyses 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.

	Group				PCC	
	Local Government Pension Scheme		Police Pension Schemes		Local Government Pension Scheme	
	Approximate Increase to Employers Liability	Approximate Monetary Amount	Approximate Increase to Employers Liability	Approximate Monetary Amount	Approximate Increase to Employers Liability	Approximate Monetary Amount
	%	£000	%	£000	%	£000
0.5% decrease in real discount rate	11.0%	25,922	10.0%	128,314	9.0%	463
1 year increase in member life expectancy	3-5%	7,098-11,829	3.0%	39,189	3-5%	154-257
0.5% increase in the salary increase rate	2.0%	3,438	1.0%	12,904	1.0%	33
0.5% increase in the pension increase rate	10.0%	22,216	8.0%	104,256	8.0%	426

Due to the recent ruling to deny the Government's appeal in relation to the McCloud 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 in 2018/19, with 2019/20 assumption changes reflected in actuarial gains and losses.

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 last LGPS valuation took 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 pension fund regulations require a police body to maintain pension funds into which officer, employee and employer contributions are paid and out of which pension payments to retired members 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.

Impact on the Group's Cashflow

The objectives of the LGPS scheme, as set out in the funding strategy statement, are to keep employer's contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The minimum employer contributions payable over the next year for the PCC for Suffolk Group is 22.2% (23.2% in 2018/19). The last triennial valuation was dated 31 March 2019.

Estimated employer's contributions for 2020/21 amount to £5.326m on the LGPS and £33.257m on the Police schemes.

The weighted average duration of the defined benefit obligation for the LGPS is Group 24.0 years and PCC 19.0 years (Group 21.0 years, PCC 21.4 years, 2018/19) and for the Police schemes is 18.7 years (18.1 years, 2018/19)

17. Debtors and Prepayments

	31 March 2020 £000	31 March 2019 £000
Short term debtors:		
Trade receivables	1,476	1,084
Prepayments	1,664	1,089
Accrued income	2,580	1,330
Debtors relating to local taxation	1,995	1,728
Other receivable amounts	3,983	4,570
Balance at 31 March	**11,698**	**9,802**
Long term debtors:		
Other receivable amounts	**554**	**752**

18. Cash and Cash Equivalents

	31 March 2020 £000	31 March 2019 £000
Imprest accounts	50	50
Bank current accounts	376	(582)
Instant access deposits with banks	5,005	5,005
Balance at 31 March	**5,431**	**4,473**

19. Assets Held for Sale

	Current		Non-current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	308	631	-	-
Assets newly classified as held for sale:				
Property, plant and equipment	1,178	177	-	-
Assets sold	(177)	(500)	-	-
Balance at 31 March	**1,309**	**308**	**-**	**-**

20. Creditors

	Group		PCC	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Short term creditors:				
Trade payables	1,722	1,794	1,722	1,794
Accruals & receipts in advance	4,844	5,124	4,844	5,124
Creditors relating to local taxation	1,245	1,089	1,245	1,089
Other payables	3,185	2,983	2,304	2,324
Balance at 31 March	**10,997**	**10,990**	**10,116**	**10,332**

21. Reconciliation of Revenue Cashflow

Group 2018/19 £000	Group 2018/19 £000	PCC 2018/19 £000	PCC 2018/19 £000		Group 2019/20 £000	Group 2019/20 £000	PCC 2019/20 £000	PCC 2019/20 £000
				Adjustment for non-cash or cash equivalent items within deficit on provision of services:				
6,134		6,134		Depreciation and impairments		6,017		6,017
80		80		Profit and loss on disposal of fixed assets		(503)		(503)
97,570		130		Movements on pension liability		34,658		132
103,783		6,344				40,172		5,646
	616		668	Increase/(decrease) in revenue creditors	(235)		(458)	
	2,917		2,917	Decrease/(increase) in revenue debtors	(1,795)		(1,795)	
	(57)		(57)	Decrease/(increase) in stocks	(12)		(12)	
	(1,192)		(1,192)	Increase/(decrease) in revenue provisions	112		112	
2,284		2,335				(1,929)		(2,152)
106,067		**8,679**				**38,243**		**3,494**
				The cash flows for operating activities include:				
2,428		2,428		Interest paid and similar charges		1,715		1,715
(82)		(82)		Interest received		(90)		(90)

22. Reconciliation of Liabilities Arising from Financing Activities

	1 April 2019	Adjustment to Opening Balance	Financing cash flows	Other Non-cash changes	acquisition	31 March 2020
	£000	£000	£000	£000	£000	£000
Long term borrowings	7,426		(325)	(15)	-	7,086
Short term borrowings	465		-	11	-	475
On balance sheet PFI liabilities	23,107	(863)	(394)	-	-	21,851
Total liabilities from financing activities	**30,998**	**(863)**	**(719)**	**(4)**	**-**	**29,412**

23. 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.

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 ICT Company

Along with other PCCs, The PCC for Suffolk has provided a limited guarantee to support the cash flows of the Police ICT Company. The guarantee is provided to enable the Company to contract for National Police ICT programmes, without this financial backing it is unlikely that the company will be able to operate as a contracting authority at the required scale. The guarantee is currently limited to £49.1k.

Unlawful Discrimination – Pension Fund Regulations

The Chief Constable of Suffolk currently has 67 Employment Tribunal claims lodged against him in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Similar claims have been lodged against all forces in the UK.

The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes.

There was protection provided for older members under each scheme. The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. This means that the various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes.

Paragraph 6.4.3.1 of the Code requires authorities to account for post-employment benefits for defined benefit schemes where there is either a legal obligation, under the formal terms of the defined benefit plan or a constructive obligation.

While the regulations underpinning the Local Government Pension Scheme (LGPS), and Police Pension Schemes have not been amended, the outcomes of the two tribunals have been deemed to provide evidence that a legal obligation has been created under age-discrimination legislation, resulting in a liability. Furthermore, the 15 July 2019 written statement by the Chief Secretary to the Treasury that the McCloud and Sargeant judgements would apply to all public service pension schemes has also been deemed to provide evidence that there is a legal obligation.

In the 2018/19 statement of accounts, an actuarial assessment of liabilities arising from the judgement was accounted as a past service cost in the CIES, subsequent changes to the liability assessment in 2019/20 have been accounted as an actuarial gain/loss within the remeasurement of the defined benefit liability line within the CIES.

The impact of an increase in annual pension payments arising from the above judgment is determined through The Police Pension and LGPS Regulations. These require the PCC and Chief Constable to maintain pension funds into which members and employer contributions are paid and out of which pension payments to retired members are made. Presently remedies for settlement have not been formalised in Pension Regulations, therefore it is questionable whether until then additional liabilities can be measured with sufficient reliability. It is also unclear whether the

Government or the PCC and Chief Constable will carry the financial burden for remedy.

Capped 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 Constabulary may 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 Constabulary, 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 Constabulary 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.

In addition to the settlement costs, Suffolk Constabulary will also be liable to a share of the legal costs arising for national lead claims, presently these costs are unknown.

24. Provisions

Insurance

The PCC self-insures a number of risks up to a predetermined limit with insurance only being bought externally to cover losses beyond this. This provision is in place to finance any liabilities or losses that are likely to be incurred but uncertain as to the amounts or the dates on which they will arise.

	Balance 1 April 2019 £000	Charge in year £000	Paid in year £000	Balance 31 March 2020 £000
Insurance claims	685	517	(420)	782
Exit packages	-	287	(281)	6
Other revenue provisions	25	14	(5)	34
Total	**710**	**819**	**(706)**	**822**

25. Leases

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

Operating Lease as Lessee:

The PCC has a number of properties and some equipment on short term lease arrangements which have been accounted for as operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	160	211
Later than one year but not later than five years	186	69
Later than five years	4	-
	350	**280**

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

	2019/20 £000	2018/19 £000
Minimum lease payments	228	246
Contingent rents	29	52
	256	**298**

26. Unusable Reserves

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

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

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

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

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provision. The Group 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 benefits earned to be financed as the Group makes employer's contributions to pension funds or eventually pay for any pensions for which it is directly responsible. The debit balance on the reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

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

Group:

Year Ended 31 March 2020	Pension Reserves £000	Reval--uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Deferred Capital Receipts £000	Comp' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2019	**(1,485,310)**	**9,902**	**10,125**	**640**	**951**	**(659)**	**(1,464,352)**
Other comprehensive income and expenditure	177,986	6,295	-	-	-	-	**184,281**
Total comprehensive income and expenditure	**177,986**	**6,295**	**-**	**-**	**-**	**-**	**184,281**
Amortisation of intangible assets	-	-	(792)	-	-	-	**(792)**
Depreciation on property, plant and equipment	-	(575)	(3,646)	-	-	-	**(4,220)**
Revaluation losses on property, plant and equipment	-	-	(1,006)	-	-	-	**(1,006)**
Capital grants and contributions credited to the revised CIES	-	-	-	-	-	-	**-**
Application of capital grants from unapplied account	-	-	516	-	-	-	**516**
Net gain or loss on the sale of non-current assets	-	(135)	(531)	-	-	-	**(666)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(198)	-	**(198)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(55,180)	-	-	-	-	-	**(55,180)**
Movement on the Collection Fund Adjustment Account	-	-	-	110	-	-	**110**
Capital expenditure charged to the General Fund Balance	-	-	2,175	-	-	-	**2,175**
Statutory provision for the repayment of debt	-	-	2,337	-	-	-	**2,337**
Contribution to the Police Pension Fund	20,522	-	-	-	-	-	**20,522**
Movement on the Compensated Absences Account	-	-	-	-	-	(223)	**(223)**
Use of capital receipts to fund asset purchases	-	-	1,367	-	-	-	**1,367**
Adjustments between accounting basis and funding basis under regulations	**(34,658)**	**(710)**	**422**	**110**	**(198)**	**(223)**	**(35,256)**
Increase / (decrease) in year	**143,328**	**5,585**	**422**	**110**	**(198)**	**(223)**	**149,025**
Balance at 31 March 2020	**(1,341,984)**	**15,487**	**10,547**	**750**	**753**	**(882)**	**(1,315,328)**

Year Ended 31 March 2019	Pension Reserves £000	Reval--uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Deferred Capital Receipts £000	Comp' Absences Account £000	**Total Unusable Reserves £000**
Balance at 1 April 2018	**(1,344,859)**	**7,380**	**12,403**	**608**	**1,149**	**(710)**	**(1,324,029)**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	-	**-**
Other comprehensive income and expenditure	(42,882)	3,337	-	-	-	-	**(39,545)**
Total comprehensive income and expenditure	**(42,882)**	**3,337**	**-**	**-**	**-**	**-**	**(39,545)**
Amortisation of intangible assets	-	-	(1,014)	-	-	-	**(1,014)**
Depreciation on property, plant and equipment	-	(465)	(3,650)	-	-	-	**(4,115)**
Revaluation losses on property, plant and equipment	-	-	(1,005)	-	-	-	**(1,005)**
Capital grants and contributions credited to the revised CIES	-	-	-	-	-	-	**-**
Application of capital grants from unapplied account	-	-	529	-	-	-	**529**
Net gain or loss on the sale of non-current assets	-	(350)	(270)	-	-	-	**(620)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(198)	-	**(198)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(117,840)	-	-	-	-	-	**(117,840)**
Movement on the Collection Fund Adjustment Account	-	-	-	31	-	-	**31**
Capital expenditure charged to the General Fund Balance	-	-	1,715	-	-	-	**1,715**
Statutory provision for the repayment of debt	-	-	678	-	-	-	**678**
Contribution to the Police Pension Fund	20,270	-	-	-	-	-	**20,270**
Movement on the Compensated Absences Account	-	-	-	-	-	51	**51**
Use of capital receipts to fund asset purchases	-	-	738	-	-	-	**738**
Adjustments between accounting basis and funding basis under regulations	**(97,570)**	**(815)**	**(2,278)**	**31**	**(198)**	**51**	**(100,778)**
Increase / (decrease) in year	**(140,452)**	**2,521**	**(2,278)**	**31**	**(198)**	**51**	**(140,323)**
Balance at 31 March 2019	**(1,485,310)**	**9,902**	**10,125**	**640**	**951**	**(659)**	**(1,464,352)**

PCC:

Year Ended 31 March 2020	Pension Reserves £000	Reval--uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Deferred Capital Receipts £000	**Total Unusable Reserves £000**
Balance at 1 April 2019	**(1,196)**	**9,902**	**10,125**	**640**	**951**	**20,421**
Other comprehensive income and expenditure	744	6,295	-	-	-	**7,039**
Total comprehensive income and expenditure	**744**	**6,295**	**-**	**-**	**-**	**7,039**
Amortisation of intangible assets	-	-	(792)	-	-	**(792)**
Depreciation on property, plant and equipment	-	(575)	(3,646)	-	-	**(4,220)**
Revaluation losses on property, plant and equipment	-	-	(1,006)	-	-	**(1,006)**
Capital grants and contributions credited to the revised CIES	-	-	-	-	-	**-**
Application of capital grants from unapplied account	-	-	516	-	-	**516**
Net gain or loss on the sale of non-current assets	-	(135)	(531)	-	-	**(666)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(198)	**(198)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(132)	-	-	-	-	**(132)**
Movement on the Collection Fund Adjustment Account	-	-	-	110	-	**110**
Capital expenditure charged to the General Fund Balance	-	-	2,175	-	-	**2,175**
Statutory provision for the repayment of debt	-	-	2,337	-	-	**2,337**
Contribution to the Police Pension Fund	-	-	-	-	-	**-**
Movement on the Compensated Absences Account	-	-	-	-	-	**-**
Use of capital receipts to fund asset purchases	-	-	1,367	-	-	**1,367**
Adjustments between accounting basis and funding basis under regulations	**(132)**	**(710)**	**422**	**110**	**(198)**	**(507)**
Increase / (decrease) in year	**612**	**5,585**	**422**	**110**	**(198)**	**6,532**
Balance at 31 March 2020	**(584)**	**15,487**	**10,547**	**750**	**753**	**26,957**

Year Ended 31 March 2019	Pension Reserves £000	Reval- -uation Reserve £000	Capital Adj' Account £000	Collection Fund Adj' Account £000	Deferred Capital Receipts £000	**Total Unusable Reserves £000**
Balance at 1 April 2018	**(813)**	**7,380**	**12,403**	**608**	**1,149**	**20,727**
Surplus or (deficit) on provision of services (accounting basis)	-	-	-	-	-	**-**
Other comprehensive income and expenditure	(253)	3,337	-	-	-	**3,084**
Total comprehensive income and expenditure	**(253)**	**3,337**	**-**	**-**	**-**	**3,084**
Amortisation of intangible assets	-	-	(1,014)	-	-	**(1,014)**
Depreciation on property, plant and equipment	-	(465)	(3,650)	-	-	**(4,115)**
Revaluation losses on property, plant and equipment	-	-	(1,005)	-	-	**(1,005)**
Capital grants and contributions credited to the revised CIES	-	-	-	-	-	**-**
Application of capital grants from unapplied account	-	-	529	-	-	**529**
Net gain or loss on the sale of non-current assets	-	(350)	(270)	-	-	**(620)**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(198)	**(198)**
Difference between IAS 19 pension costs and those calculated in accordance with statutory requirements	(130)	-	-	-	-	**(130)**
Movement on the Collection Fund Adjustment Account	-	-	-	31	-	**31**
Capital expenditure charged to the General Fund Balance	-	-	1,715	-	-	**1,715**
Statutory provision for the repayment of debt	-	-	678	-	-	**678**
Contribution to the Police Pension Fund	-	-	-	-	-	**-**
Movement on the Compensated Absences Account	-	-	-	-	-	**-**
Use of capital receipts to fund asset purchases	-	-	738	-	-	**738**
Adjustments between accounting basis and funding basis under regulations	**(130)**	**(815)**	**(2,278)**	**31**	**(198)**	**(3,392)**
Increase / (decrease) in year	**(383)**	**2,521**	**(2,278)**	**31**	**(198)**	**(308)**
Balance at 31 March 2019	**(1,196)**	**9,902**	**10,125**	**640**	**951**	**20,419**

27. Earmarked Balances within the General Fund

The movements in earmarked balances in 2019/20 are analysed as follows:

	Note	Balance 1 April 2019 £000	Received £000	Applied £000	Reallocated £000	Balance 31 March 2020 £000
Revenue reserves:						
Budget	**(a)**	1,152	1,883	-	(500)	2,535
Change	**(b)**	529	-	(124)	-	405
Capital Financing & Efficiency Investment	**(c)**	649	2,018	(136)	-	2,530
Specified Purposes Fund	**(d)**	483	739	(483)	-	739
Crime & Disorder	**(e)**	287	36	-	-	323
PCC	**(f)**	427	66	-	-	492
Safety Camera	**(g)**	558	229	(375)	-	412
Regional Partnership	**(h)**	60	-	(60)	-	-
Total		**4,146**	**4,970**	**(1,179)**	**(500)**	**7,437**
General Reserve		**3,500**	**-**	**-**	**500**	**4,000**

(a) Budget Reserve

This reserve is being held as a contingency against future demand led pressures and would also act as a contingency to increases of assessed insurance liabilities in excess of insurance budgets and provisions. An element of the reserve is being transferred to the General Reserve in order to increase this reserve to £4m as set out in the Reserves Strategy within the Medium Term Financial Plan (MTFP).

(b) Change Reserve

This reserve is used to fund the cost of change and/or to pump prime invest-to-save activities.

(c) Capital Financing & Efficiency Investment Reserve

This reserve is used to fund the short-life asset element of the Capital Programme. The reserve is used when the amount required for investment exceeds the budget available for this purpose. This is an important part of the funding strategy to ensure the Constabulary is as efficient and productive as possible through continued investment in enabling technologies. The strategy is to "top-up" this reserve in the last three years of the Medium Term Financial Plan to leave a balance to fund further investment beyond the planned period.

(d) Specified Purposes Fund

This fund relates to funds allocated for specific purposes including partnership funding.

(e) Crime and Disorder Reserve

This reserve is made up from underspends against the PCC's commissioning budget which have been earmarked to fund future commissioning initiatives.

(f) PCC Reserve

This reserve is made up from previous underspends against the budget for the Office of the Police and Crime Commissioner.

(g) Safety Camera Reserve

This reserve is made up of prior years' underspends against the approved annual budget. The use is reviewed and agreed at the Driver Re-training Governance Board (DORG).

(h) Regional Partnership Reserve

This reserve holds ring-fenced funds in relation to regional activity. In 2019/20 the use of this reserve is as a consequence of the overspend in relation to the Eastern Region Special Operations Unit (ERSOU).

Further detail relating to the use of Earmarked Reserves can be found iin the Reserves Strategy (Appendix G in the MTFP)[1]

[1] https://suffolk-pcc.gov.uk/wp-content/uploads/2020/02/5-2020-Medium-Term-Financial-Plan-MTFP-2020-21-to-2023-24.pdf

28. Financial Instruments

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

	Current				Long Term				Total	
	Investments		Other assets		Investments		Other assets			
	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets										
Amortised Costs	-	-	10,065	7,160	-	-	554	752	10,619	7,913
Total Financial Assets	**-**	**-**	**10,065**	**7,160**	**-**	**-**	**554**	**752**	**10,619**	**7,913**
Non financial assets	-	-	8,534	7,572	-	-	-	-	8,534	7,572
Total Assets	**-**	**-**	**18,599**	**14,733**	**-**	**-**	**554**	**752**	**19,154**	**15,485**

	Current				Long Term				Total	
	Borrowings		Other liabilities		Borrowings		Other liabilities			
	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19	31.3.20	31.3.19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities										
Amortised Costs	475	465	5,840	5,769	7,086	7,426	1,341,983	1,485,312	1,355,384	1,498,971
Total Financial Liabilities	**475**	**465**	**5,840**	**5,769**	**7,086**	**7,426**	**1,341,983**	**1,485,312**	**1,355,384**	**1,498,971**
Non financial liabilities	-	-	6,382	6,317	-	-	21,448	22,721	27,830	29,038
Total Liabilities	**475**	**465**	**12,222**	**12,086**	**7,086**	**7,426**	**1,363,431**	**1,508,033**	**1,383,214**	**1,528,010**

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

2018/19 Surplus or Deficit on the Provision of Services £000	2018/19 Other Comp. Income and Expenditure £000		2019/20 Surplus or Deficit on the Provision of Services £000	2019/20 Other Comp. Income and Expenditure £000
		Net (gains)/losses on:		
5	-	Financial assets measured at amortised cost	2	-
5	-	**Total net (gains)/losses**	**2**	-
		Interest revenue:		
(73)	-	Financial assets measured at amortised cost	(89)	-
(73)	**-**	**Total interest revenue**	**(89)**	**-**
2,383	**-**	**Interest expense**	**1,711**	**-**

	Balance 1 April 2019 £000	Amounts written off in year £000	Movement in allowance for credit losses £000	Balance 31 March 2020 £000
Financial assets				
Fair Value through Profit or Loss at Amortised Costs				
measured as lifetime expected credit losses	-	(2)	-	(2)
Total	**-**	**(2)**	**-**	**(2)**

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

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

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

	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
Financial liabilities				
PWLB loan	7,561	10,315	7,890	10,370
	7,561	**10,315**	**7,890**	**10,370**

The fair value of borrowings in 2019/20 is higher than the carrying amount because the rates payable for the PWLB loans are higher than the prevailing rate at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Fair Value Hierarchy for Financial Assets and Financial Liabilities that Are Not Measured at Fair Value

Other significant observable inputs (Level 2) £000	Total £000	Recurring fair value measurements using:	Other significant observable inputs (Level 2) £000	Total £000
2018/19	**2018/19**	**Year Ended 31 March**	**2019/20**	**2019/20**
		Financial liabilities (held at amortised cost)		
10,370	10,370	PWLB loan	10,315	10,315
1,485,312	1,485,312	Long term creditors	1,341,983	1,341,983
23,107	23,107	PFI and finance lease liabilities	21,851	21,851
1,518,789	**1,495,682**	**Total**	**1,374,150**	**1,374,150**
		Financial assets (held at amortised cost)		
4,473	4,473	Cash and cash equivalents	5,431	5,431
3,439	3,439	Debtors	5,188	5,188
7,913	**7,913**	**Total**	**10,619**	**10,619**

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the PCC
- Liquidity risk – the possibility that the PCC might not have funds available to meet its commitments to make payments
- Refinancing and Maturity risk – the possibility that the PCC might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the PCC as a result of changes in such measures as interest rates and stock market movements.

The PCC's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the PCC in the Annual Investment and Treasury Management Strategy[2]. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers. This risk is minimised through the Annual Investment and Treasury Management Strategy, which requires that counterparties meet the minimum credit ratings from three major credit rating agencies. In 2019/20, the PCC has a policy not to lend any more than £10m to any individual financial institution, authority or banking group except under exceptional circumstances, when a temporary arrangement is approved. This policy is outlined on page 37.

Recent experience has shown that it is rare for its investment counterparties to be unable to meet their commitments therefore, although a risk of non-recoverability applies to all of the PCC's deposits, there was no evidence at the 31 March 2020 that this was likely to crystallise.

[2] Annual Investment and Treasury Management Strategy (Appendix E within the MTFP)

Of the £1,478k outstanding from customers, £152k was past its due date for payment at the year-end. The past due amount can be analysed by age as follows:

	Amount Past Due 31.3.20 £000	Amount Past Due 31.3.19 £000
Less than three months	50	30
Three to six months	20	17
Six months to one year	77	-
More than one year	3	-
	152	**47**

Liquidity risk

The PCC has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the PCC has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB). As the PCC is required to provide a balanced budget which ensures sufficient monies are raised to cover annual expenditure, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The PCC has one loan with the PWLB that was taken out for £10m in 2010/11, it is being paid off in half year instalments. The loan is due to mature in 2035/36. All trade and other payables are due to be paid in less than one year.

Refinancing and Maturity risk

The PCC maintains its debt and investment portfolio in line with the Annual Investment and Treasury Management Strategy. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the PCC relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The PCC approved Annual Investment and Treasury Management Strategy addresses the main risks and the treasury management function addresses the operational risks within the approved parameters.

The PCC's financial assets held on the balance sheet all mature within one year with the exception of the long-term debtor in relation to NPAS. Refer to Note 10 for more detail.

Market risk – Interest risk

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

The PCC mitigates its exposure to market risk in regards to interest expense by fixing the interest rate payable for the duration of its loans. The risk is therefore shifted to the risk on the movement of fair value that would arise when prevailing rates differ from contract rate payable. However, borrowings are not carried at fair value, so nominal gains or losses on fixed rate borrowing do not impact on the CIES.

A 1% increase in interest rates would only have a material effect on the fair value of borrowings. It would reduce the value by £741k.

The PCC does not invest in equity shares nor in financial assets or liabilities denominated in foreign currencies and therefore has no exposure to price risk or exchange risk.

29. Going Concern

In making their assessment of material uncertainties arising from events or conditions, the officers of the PCC do not believe COVID-19 casts significant doubt on the PCC's ability to continue as a going concern. As such there is no requirement within the Code for the PCC to prepare a separate disclosure note in regard to going concern. However, the following note has been provided to help the reader of the accounts understand the going concern position of the PCC.

The concept of a going concern assumes that the functions of the Police and Crime Commissioner and the Constabulary will continue in operational existence for the foreseeable future. The provisions in the CIPFA Code of Practice on Local Authority Accounting in the UK 2019/20 in respect of going concern reporting requirements reflect the economic and statutory environment in which police forces operate. These provisions confirm that, as the Office of the Police and Crime Commissioner and the Constabulary cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

PCCs and Chief Constables carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a police force were in financial difficulty, the prospect is that alternative arrangements would be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not be appropriate for the financial statements to be prepared on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a police force will continue to operate for the foreseeable future.

The current restrictions in place within the UK in response to COVID-19 have created issues for police forces in terms of policing the government lockdown policy in addition to continuing normal policing functions. An assessment of additional costs of policing arising from COVID-19 has been made in respect of the impact on 2020/21. These have been forecast to be £0.525m, largely relating to PPE and estates costs to ensure that the workplace is "COVID Secure". Reduced levels of income have also been identified in respect of speed awareness courses and court fee / sporting events (43% and 50% reduction forecast over 6 months).

The Home Office has agreed to reimburse forces for medical grade personal protective equipment and to compensate forces for a proportion of lost income. In addition, the Constabulary has undertaken an in-year review of spending to mitigate any risks of overspending against its approved budget and to identify in-year savings of £1.2m to cushion itself from future funding uncertainties.

The full year forecast revenue expenditure outturn at the end of September 2020, including in-year savings, is that the Group will be underspent by £2.1m by the end of the financial year. This will be transferred to the budget reserve at year end.

Suffolk district councils are reviewing deficits that may arise on the council tax collection fund. This will not affect the PCC's income in 2019/20, but the Constabulary will have to contribute to a collection fund deficit. Any deficit arising on the collection fund will be declared during 2020/21 and following recent guidance from the Ministry of Housing, Communities and Local Government will be distributed over 3 years, 2021/22 to 2023/24.

In addition, the PCC maintains a General Reserve of £4m, Budget Support Reserve of £2.5m and a Change Reserve of £0.4m that could be used to manage the financial risks of major incidents. However, at this point in time, the additional costs of COVID-19 incurred between March and September 2020 were less than 5% of these reserves, and as described spending is being controlled and no significant additional use of these reserves is expected.

It is recognised that there remains uncertainty over how long lockdown arrangements will remain in place, and therefore the total costs which will be incurred as a result. The strategy of government is to ease restrictions over time, and revert to local lockdown special measures as required. However, we are confident that the impact can be managed in 2020/21 by the in-year review of spending, additional funding from the Home Office for PPE and lost income and therefore there will be minimal impact on any of the reserves outlined above, and the general reserve will not be impacted.

A full three-year forecast on the impact on PCC reserves under pessimistic and optimistic scenarios has been undertaken. Modelling shows that under the pessimistic scenario the PCC's accessible reserves fall to a low of £4.33m in 2021/22 and increase in future years. This remains above the minimum general fund balance of £4m set by the PCC's Chief Finance Officer.

Taking into account the availability of useable reserves, the capacity to finance the current gap between external borrowing and the capital financing requirement and the ability to borrow on a short-term basis to prudently fund any temporary shortfall of cash; the PCC is able to demonstrate that he has sufficient liquid resources until 12 months from the date the audit report is signed to meet all liabilities as they fall due.

The PCC's reserves remain sufficiently healthy to absorb funding reductions and losses from the COVID-19 pandemic and remain able to meet its financial obligations as and when they fall due. Therefore, following our review of the financial impact of COVID-19 on current and future finances, it has been concluded that there is no material uncertainty relating to going concern.

30. Events after the Balance Sheet Date

Post balance sheet events have been considered for the period from the year-end to the date the accounts were authorised for issue on 8 December 2020.

COVID-19 Pandemic

The draft statement of accounts published on 30 May 2020 stated that the COVID-19 pandemic was to be accounted for as an adjusting post balance sheet event. However, on 18 November 2020, officers of the PCC were advised that the COVID-19 pandemic is no longer regarded as a post balance sheet event as the pandemic was declared prior to 31 March 2020.

Pages 10 to 13 of the Narrative Report provides comprehensive detail of the operational and financial impact of the pandemic on the PCC.

31. Capital Commitments

Significant commitments under capital contracts as at 31 March 2020 are analysed as follows:

31 March 2019 £000		31 March 2020 £000
-	Airwave Handset Replacement	1,472
124	CCR telephony	124
721	Estates strategy	408
-	Vehicles	289
-	Tasers & other firearms	56
177	ICT software upgrades	-
78	ESN ICCS upgrade	-
52	Athena	-
21	Other	74
1,174	**Total committed**	**2,423**

Police Pension Fund Accounting Statements

Fund Account

2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000
		Contributions receivable		
		Employer		
	8,495	Normal	12,899	
	284	Early retirements	247	
8,779				13,145
		Members		
	5,396	Normal	5,594	
5,396				5,594
		Transfers in		
	220	Individual transfers in from other schemes	347	
220				347
		Benefits payable		
	(29,633)	Pensions	(30,793)	
	(6,046)	Commutations and lump sum retirement benefits	(7,212)	
	-	Lump sum death benefits	-	
	-	Other	(1,087)	
(35,680)				(39,092)
	(25)	Refunds on contributions	(31)	
	(117)	Individual transfers out to other schemes	(485)	
(142)				(516)
(21,427)		**Net amount payable for the year before contribution from the Police General Fund**		**(20,522)**
20,270		**Contribution from the Police General Fund**		**20,522**
1,157		**Additional funding payable by the local policing body**		**-**
-		**Net balance receivable for the year**		**-**

The actuarial valuation has set the employer contribution rate for all three police pension schemes from 1 April 2019 at 31% of pensionable pay. A pensions top-up grant from the Home Office is received which funds contributions to a level of 21.3% and in 2019/20 a specific grant of £1.2m was received to part fund the cost of the recent change in contribution rates. The Constabulary funds the resulting balance.

Net Assets and Liabilities

2019 £000		2020 £000
	Net current assets	
-	Net balance receivable from the Police General Fund	-
	Net Current Assets at 31 March	**-**

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

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

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

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Contingent liability
A contingent liability is either:

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

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).

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

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.

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

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

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

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

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

Outturn
The actual amount spent in the financial year.

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

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

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

Pension Strain
Occurs when there is a clear shortfall in the assumed level of funding needed to provide a particular pension benefit, often occurring when a member draws their benefits earlier than expected i.e. due to redundancy.

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.

Useful life

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

Vested Rights

In relation to a defined benefit scheme, these are:

a) for active members, benefits to which they would unconditionally be entitled 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.