



STAFFORDSHIRE
POLICE

Chief Constable Statement of Accounts

(For the Chief Constable of Staffordshire Police)

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1.1.1 Foreword by the Chief Constable (CC)



Over the last 12 months the force has achieved a significant amount, at great pace.

Changes continue to be made within the overall context of austerity. The Police and Crime Commissioner's decision to raise the precept was welcomed by the force, however finances remain tight and pressures have not relaxed. Alongside this, the force is receiving more calls for service than ever – 84,000 crimes recorded in the last 12 months - and the changing face of crime means that the service must continue to adapt and improve its capability.

Today, the force is better positioned to respond to these challenges than it was 12 months ago. Investments made as a result of the new operating model will enable the force to provide the necessary focus and resource to local policing, investigations and emergency response.

Over 150 additional neighbourhood resources will be in place by the end of the year, with an additional 50 officers working on the most serious and complex crimes in CID.

Rebalancing resource to areas of greatest need also allows the force to become more preventative in approach, better at problem solving and more efficient overall. It will also make the force more resilient for the future.

Of course, these changes do not mean the next 12 months will be without challenge. The force continues to make the best use of the resources it has available and there are still significant savings to be made between now and 2020.

I welcome the increase from April 2018 in the policing element on council tax bills and the government's proposals to allow the same flexibility from April 2019 for Police and Crime Commissioners. The investments from this new funding will enable us to, for the first time in a number of years, to increase the number of Police Officers within Staffordshire.

Demand is anticipated to stay on the upward trajectory and operationally, we must continue to work with other forces and partner agencies to understand the biggest threats facing the communities of Staffordshire.

We must continue to equip our officers and staff with the best tools, finding new and innovative means to improve our service and modernise our capability.

Encouraging strides have been made in achieving this and the next phase of transformation will see a major investment and overhaul of the force's information technology.

The force's 10-year strategic partnership with Boeing continues to provide a platform for significant change and this year, a new records management system will be implemented to improve the way information is recorded, accessed and shared.

Alongside this, work has begun to create a dedicated knowledge hub to centralise information and resources between the force, partners and ultimately, communities, so we can become even more collaborative. These changes – I expect - will significantly improve service delivery for the people of Staffordshire.

We must continue to work hard and keep pace of the changes we are making to improve our service. There is a lot to achieve and while I, alongside other police chiefs, will continue to press government to revisit budgets, we must stay focused and resilient to deliver what is required for now and in the future.

Gareth Morgan
Chief Constable of Staffordshire Police

1.2 Foreword by the Chief Finance Officer (CFO)

This is my first Statement of Accounts as the Chief Finance Officer and Section 151 Officer for Staffordshire Police having joined the Force during March 2018. The Force continues to see the impact of the changing nature of crime necessitating investment in new ways of working and a significant upgrade in our Digital capacity. During the financial year the Force has seen the financial impact of the in year relaxation of the Governments one percent pay award cap which Force's and Police and Crime commissioners have been expected to fund locally. Last year the Force also spend a significant amount of time at a 'critical' response level following the tragic events in Manchester and London.

Against this backdrop the wider Force and Office of the Police and Crime Commissioner (OPCC) has a reported overspend of £2.6m against its budget of £178.6m, equating to an overspend of 1.5%. Whilst any overspend is financially unwelcome this outturn position is within the generally accepted financial health indicator in the sector of being within a two percent over or under tolerance compared to budget.

Last year 88% of crime victims in Staffordshire were either completely, very or fairly satisfied with the service provided to them by the Police. Most significantly, the Force has maintained a consistent level of satisfaction given the ongoing financial challenges faced by Policing across the country.

Looking forward the decision to increase the policing element on council tax bills from April 2018 coupled with a cash flat policing grant from the Home Office will enable the Force, for the first time in a number of years, to increase the number of Police Officers within Staffordshire. Whilst welcome, the Force itself still faces financial challenges in line with those experienced by other Forces.

The Statement of Accounts are prepared on a going concern basis, assuming that Staffordshire Police will continue in operation for the foreseeable future, and using International Financial Reporting Standards (IFRS). Additionally, the accounts have been prepared in accordance with the Accounts and Audit Regulations 2016 and the Code of Practice on Local Authority Accounting 2017/18.

The Chief Constable is required by statute to make funding decisions on a different basis from the way in which these decisions are reported within the Statement of Accounts. A number of adjustments are therefore made to the statement of accounts to incorporate accounting adjustments in the areas of pensions, employee benefits and depreciation.

It is the purpose of the statement of accounts consisting of the financial statements and notes to the accounts to demonstrate that the Chief Constable has accounted for public money properly and been economical, efficient and effective in the use of that public money. The accounts provide useful information to a wide range of users about the financial position, financial performance and cash flows of Staffordshire Police. The accounts are, therefore, necessarily detailed and technical with explanatory notes included where applicable.

John Bloomer CPFA

Chief Finance Officer, Staffordshire Police

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years. The structure of this Narrative Report is set out below.

1.2.1 Explanation of the PCC and Group

1.2.2 Introduction to Staffordshire

1.2.3 Financial performance

1.2.4 Non-financial performance

1.2.5 Future Strategy

1.2.1 Explanation of the PCC and Group

The Police Reform and Social Responsibility Act 2011 provided for a change in governance from Police Authorities to the directly elected Police & Crime Commissioner (PCC). The role of the PCC is to hold the Force to account for performance locally as well as to decide upon, and be accountable for, the precept levy placed on households as well as fees and charges for chargeable Policing services.

Subsequent to this The PCC and Chief Constable became established as two separate legal entities. The legal transfer of operational policing to the Chief Constable, who also became the employer of police staff members, was completed on 1st April 2014.

The Chief Constable holds office as a servant of the crown and is not an employee. He has a statutory responsibility for the control over police officers and its staff, as well as direction and delivery of operational policing services in Staffordshire. The Office of the Chief Constable holds no property, assets or liabilities and is not allowed to borrow money. These powers are reserved for the Police and Crime Commissioner.

The PCC is elected by the public every four years. The PCC appoints the Chief Constable and holds the chief constable to account for the exercise of his functions and those of persons under his direction and control. The PCC holds all the assets and borrowing, as well as receiving all income from grants, precepts and charges.

This set of accounts explains how the resources provided by the PCC have been used to deliver operational policing services.

1.2.2 Introduction to Staffordshire

Staffordshire Police provides policing services across the County of Staffordshire and the City of Stoke-on-Trent. Our purpose is keeping our communities safe and reassured through preventing crime, protecting the public and bringing offenders to justice.

Staffordshire covers more than 2,600 square kilometres reaching from the Peak District National Park in the north to the West Midlands conurbation border in the south, serving just over 1.1m people living in over 463,000 households. The people of Staffordshire live within diverse communities, ranging from the sparsely populated area of the Moorlands to densely populated areas such as the city of Stoke-on-Trent & Newcastle-under-Lyme in the north, the county town of Stafford at the heart of the county, Tamworth & Burton-upon-Trent in the east, and Cannock & Lichfield in the south.¹



People

At the end of the financial year, Staffordshire Police employed 3,013 full time equivalent staff, consisting of 1,603 police officers, 226 police community support officers and 1,182 police staff.²

The Force has a strong track record, and invests significant amounts in, the Learning and Development of its people as well as their welfare. This has been enhanced by the launch of our People First Strategy which will help us to build a modern and transformed police service - an exceptional place to work that will in turn enable us to achieve what we are all here for - a better service to the people of Staffordshire.

Service Delivery

The Force is structured around six directorates consisting of; Contact & Response, the Deputy Chief Constables directorate, Investigations, Neighbourhoods & Partnerships, Operational Support and People & Resources.

We deliver a number of services through regional collaboration in the case of the Regional Organised Crime Unit (ROCU) and the Central Motorway Patrol Group (CMPG) as well as some national collaborations such as the National Police Air Service (NPAS).

Local policing teams (LPTs) are the bedrock of service across the county. Each has its own commander of Chief Inspector or Inspector rank. Local police officers and PCSO's work together within these teams providing a localised neighbourhood and response service to the local community. LPTs are supported by specialist central departments consisting of: Investigative Services and Operational Services that are based strategically across the force area.

More information about our service delivery and policing model can be found at:

<https://www.staffordshire.police.uk/article/9326/New-Policing-Model>

1. Source: Staffordshire Observatory and Stoke-on-Trent Council
2. Source: Staffordshire Police human resources stock take report 31.03.18

1.2.3 Financial Performance

Performance Overview

The wider Force and OPCC has a reported overspend of £2.6m against its budget of £178.6m, equating to an overspend of 1.5%. This outturn position is within the generally accepted financial health indicator in the sector of being within a two percent over or under tolerance compared to budget. Major variances have arisen in the following areas:

- An overspend on salaries in part driven by the relaxation of the Government's one percent pay award policy in year
- An overspend against budget for Police Officer overtime
- An overspend against budget due to an increase in ill health early retirement costs for Police Officers
- One off costs associated with our ICT transformation
- An underspend on PCSO costs
- An underspend against budgeted contribution towards regional policing collaborations
- An underspend on administrative costs

It is important over the coming years that the Force continues to address these variances and 'lives within its means' for the 2018/19 financial year.

Balance Sheet (Section 3.2)

Below is a snapshot of the Chief Constable's balance sheet containing its assets, liabilities, cash and reserves at the balance sheet date. A higher level summary is shown in section 3.

As at 31st March 2018 the Chief Constable balance sheet had negative assets of £1.993 Billion the reason for this position is because of the pension liabilities associated with the unfunded police officer pension scheme and the funded Local Government Pension Scheme (LGPS) for police staff. This is a balance sheet position seen in all Forces and across the wider public sector. For further information please see Pension Liabilities below.

By excluding the pension liabilities the Chief Constable does not hold any property, cash and reserves but does have use of these assets for operational purposes. Only staff costs are represented on the Chief Constable balance sheet as all officers and staff are an employee of the Chief Constable.

Chief Constable's Balance Sheet

31 March 2017 £000	Notes	31 March 2018 £000
0 Long Term Assets		0
4,621 Current Assets		4,789
(6,504) Current Liabilities		(6,073)
(2,131,663) Long Term Liabilities		(1,992,203)
(2,133,546) Net Liabilities		(1,993,487)
0 Usable Reserves		0
2,133,546 Unusable Reserves	6.2.4	1,993,487
2,133,546 Total Reserves		1,993,487

Pension Liability (Section 9)

The value of net pension liabilities in the Group Balance Sheet is £1.993 billion, comprising £1.870 billion for police officers and £122 million for police staff. Members of Officers and staff of the police are members of different pension schemes which operate under different rules in terms of contributions and funding.

Police Officers are members of the Police Pension scheme which is an unfunded scheme. This means there are no assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Both Police Officers and the employer (i.e. the Chief Constable) make contributions to the scheme - for the Force this equates to a contribution equivalent to 21.3% of each individual's pay. The cost of pension payments to retired Police Officers is not a direct cost to the Force. The Home Office funds the difference between actual pension payments to retired Officers and pensions income received from serving Officers through an annual top-up grant. For further details please see the Pensions section which are made to reflect the actuarial assessment of this scheme. The assessed liability overall of Staffordshire in the Police Pension Scheme as at 31st March 2018 was £1.870 billion.

Police staff are members of the Local Government Pension Scheme (LGPS) which is administered by Staffordshire County Council and is a funded scheme: this means that contributions from the employer and employee are invested in a fund towards meeting future employee benefits. The fund is invested in a wide range of asset classes covering areas such as commercial property, shares, bonds and cash holdings. The current contribution rate for employers is 15.5% of pay; however a recent actuarial assessment has determined that past contributions were insufficient and so the Force is required to make additional contribution to the pension fund to top up this historic deficit. The first year of this payment was in 2017/18 and totaled £1.611m which the PCC agreed to fund from reserves. In future years the cost of this deficit repair payment will be funded from the Force's core budget. Further detail is contained within the Pensions section which details the adjustments to the accounts which are made to reflect the actuarial assessment of this scheme. The assessed liability overall of Staffordshire Police in the LGPS as at 31st March 2018 was £122 Million.

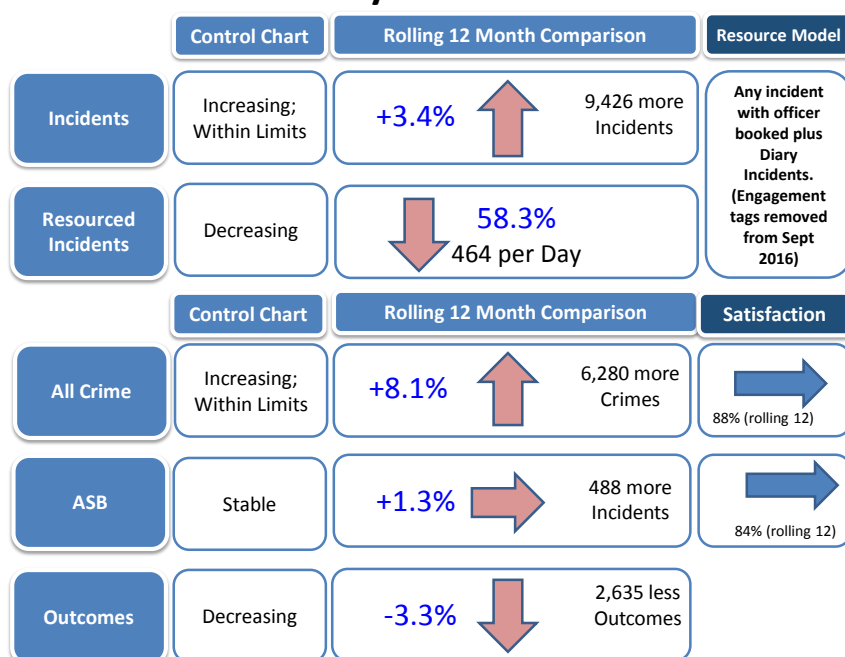
The Pension Reserve has decreased at 31st March 2018 primarily due to the actuarial losses arising from changes in the financial assumptions. The discount rate is based on corporate bonds yields, these have decreased during the year whereas in 2016/17 the rate was slightly higher.

The liabilities show the underlying commitments of the Group to pay retirement benefits. However, the statutory arrangements for the funding of the deficit mean that the financial position of the CC remains stable. For more information please see Pensions section.

1.2.4 Non-Financial Performance 2017/18

The picture in terms of non-financial performance is a positive one of having delivered on attending the same percentage of a higher volume of incidents, with increased satisfaction reported by those we serve.

Overall Performance Summary to 31st March 2018



Source: Staffordshire Police crime and incident data 2017/18

In Police terminology a 'resourced incident' is one where a police officer physically attends or is deployed, whereas an 'outcome' refers to the nationally controlled system of classification whereby one of 21 outcome classes is assigned to each closed investigation. This is the reason why not all calls to the police end either with a resourced incident or an outcome: some calls do not require resourcing, and some cases raised in the year are not closed.

*the crimes related to both of these comments are a subset comprising hate, antisocial behaviour, vehicle, burglary and assault and road traffic collisions

Volumes

The last three years has seen crime steadily increase creating a new level of demand across several crime types. In the last 12 months to March 2018 crime has increased by 8.1% or 6,280 offences from a baseline of 77,619 crimes during 2017/18.

This upward trend mirrors the national position. The 12 month period to 31st December 2017 shows that Staffordshire is ranked 4th in its Most Similar Forces (MSF) group and 21st in England and Wales in respect of total crime levels. This is unchanged from the previous period (12 months to 30th November 2017).

iQuanta is a web-based service for the management of crime, policing performance and community safety data by forces, Community Safety Partnerships (CSPs) and HMIC. The below table highlights that Forces within Staffordshire's Most Similar Groups are experiencing similar or more adverse issues across the key crime areas.

iQuanta Overview Chart Crime Data to the end of Feb 18							
	Crimes	Violence against the person (ONS)	Rape	Other sexual offences (ONS)	Burglary	Shoplifting	Robbery
Force - Staffordshire	<>	<>	<>	<>	<>	<>	▼
Force - Avon & Somerset	▲	<>	<>	<>	▲	▲	▼
Force - Cheshire	▼	▼	▼	▼	<>	<>	▼
Force - Derbyshire	<>	▼	<>	▲	<>	<>	<>
Force - Essex	▼	▼	<>	<>	<>	▲	<>
Force - Hampshire	▲	<>	<>	<>	▲	<>	<>
Force - Hertfordshire	▼	▼	<>	<>	▼	<>	▼
Force - Northamptonshire	▲	<>	<>	<>	<>	▲	▲

Key to overview comparisons:

Against peers - ladder

	Better than
	In line with peers
	Worse than

Based on last 3 months

Across time - shape

▲	Clearly improving
▲	Improving
<>	No apparent change
▼	Deteriorating
▼	Clearly deteriorating

Based on significant change

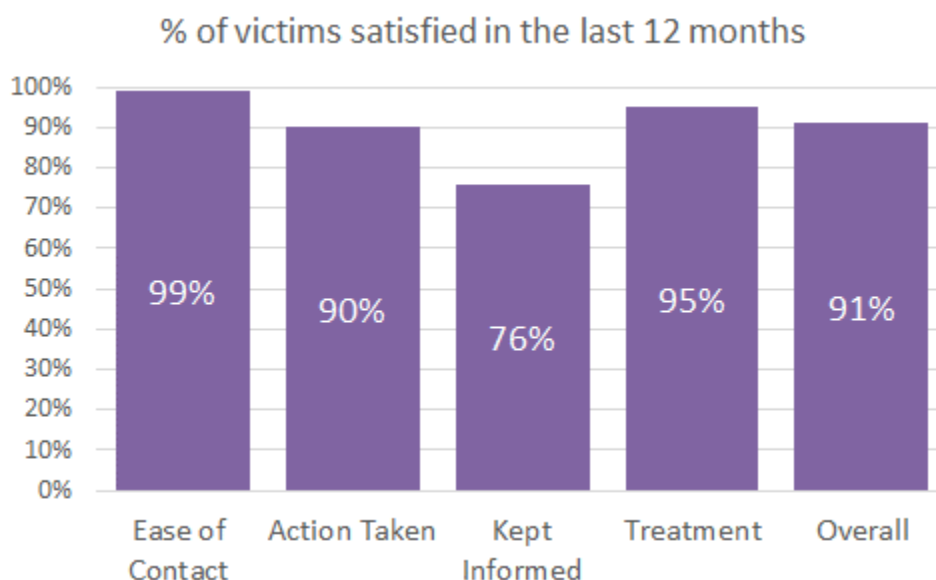
More crime reporting is not necessarily linked to a higher crime rate as a large part of this rise was due to more first time victims having the confidence to report their crimes and the continued efforts being made by the force to improve consistency in crime recording. The force has a focus on reducing crime but this is balanced against the need to behave with integrity and to do the right thing for victims. We will continue our determined effort to drive down crime.

In addition the force deals with a wide range of incidents that are not crime-related – these account for 78.1% of all incidents recorded by Staffordshire Police.

Satisfaction

Satisfaction results are generated from individuals who are surveyed who answered that they were completely, very or fairly satisfied with their experience of the Police. Crime satisfaction represents victims of assault, burglaries of dwellings offences, vehicle crime and road traffic collisions (where only slight or no injury was incurred).

Results for 2017 show that 91% of crime victims in Staffordshire were either completely, very or fairly satisfied with the service provided to them by the Police. Significantly, the Force has maintained a consistent level of satisfaction; in relation to the key elements of interaction with the police, the breakdown is shown below:



Source: Staffordshire Police Victim Surveys 2017

Outcomes

With an 8.1% increase in reported crime it would have been an incredible achievement to have also increased the outcome rate. The proportion of crimes where a positive outcome was achieved was 3.3% lower than last year. In absolute terms this represents 2,635 fewer cases with an outcome.

1.2.5 Future Strategy

Staffordshire Police Plan

The Chief Constable has introduced a new Blueprint for Change and Policing Plan that support the five priorities within the Safer, Fairer, and United Communities Strategy. A revised performance framework is being introduced to enable the PCC to hold the Chief Constable and force to account in delivering the Policing Plan and meeting the strategy's priorities.

The force projects combine to form a cohesive change programme (SP25) which aims to fundamentally change the way the force operates. The delivery plans incorporate Boeing Defence UK in providing the capacity and capability to take advantage of the best that technology can provide; particular focus is being applied to the early delivery of a new core policing platform which will deliver significant performance and financial benefits.

Changes to the operating model delivered or commenced in the first phase of work include:

- Introduction of more efficient and effective force governance arrangements;
- The formation of a new directorate structure;
- New structures that provide for more effective local and neighbourhood policing, partnership working, customer contact and response policing, investigations; operational support and business support functions;
- A greater investment in place-based neighbourhood policing and partnership teams to support prevention, early intervention and public protection;
- The development of a resolution centre to deliver a more informed and streamlined response to non-emergency service requests, thereby reducing the demand on front line resources, so that they can be used more effectively;
- The introduction of centres of excellence to enhance capabilities in key areas of policing activity such as early intervention, crime prevention, offender/sex offender management, adult abuse, child abuse, economic, serious and organised and cyber-crime;
- More consistent and efficient delivery of business support functions in partnership with other agencies e.g. Staffordshire Fire and Rescue Service;
- The implementation of a new target information model, with technology that is fit for purpose;
- Rationalisation of the PCC-owned estate achieved through integration of services with partner agencies and new ways of working;
- Workforce planning to ensure the right people with the right skills are in the right roles with the necessary development and wellbeing support;

- Leadership and cultural development programmes.

Operating Principles

Our vision for policing in Staffordshire in 2020 is supported by a set of guiding principles that will shape the way we work and help us focus our transformation. We will:

- Focus on consistently achieving our purpose and what matters to communities, victims and witnesses.
- Understand what causes demand for our service and address the root causes to reduce preventable demand.
- Focus on improving the whole system with partners and identify solutions that achieve a positive result for all.
- Design flexibility into how we respond so we do the right thing first time.
- Encourage people's creativity and professionalism, supporting development and sharing what works.

Receipt of further information

You can also find more information about Staffordshire Police finances by looking at the Staffordshire Police website at <https://www.staffordshire.police.uk/about>

2.1 Accounting Policies

2.1.1 Basis of Accounting

The Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2015 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) which is based on International Financial Reporting Standards and other supporting accounting standards.

Comprehensive Income and Expenditure (CIES) record all of the Chief's income and expenditure for the year. This is in line with CIPFA guidance and is commensurate with the in-year internal reporting to management of income and expenditure.

Balance Sheet is a statement of the financial position as at 31st March, showing the assets, liabilities and reserves as valued at that date.

Movement in Reserves Statement (MIRS) shows the movement in the year on the different reserves held by the Chief Constable. Reserves are divided into "usable" cash reserves which can be invested in capital projects or service improvements and "unusable" accounting reserves which must be set aside for specific purposes. In particular the statement identifies the adjustments required between accounting on a funding basis and reporting basis. The Chief Constable does not hold any useable reserves.

Cash Flow Statement shows the reason for changes in cash balances during the year and sets out whether the change is due to operating activities, new investment or financing activities.

Auditors Report gives the auditors opinion on whether the accounts provide a true and fair view of the financial position and operations for the year.

Statement of Responsibilities sets out the respective responsibilities of the Chief Constable and his Chief Finance Officer.

Disclosure Notes to these financial statements it provides more detail on the Chief Constables accounting policies and individual transactions.

Police Pension Fund Account (Police Officers ONLY) is to provide a basis for demonstrating the balance of cash-based transactions taking place over the year and for identifying the arrangements needed to close the balance for that year.

2.1.2 Accounting Developments and Changes

Developments and other changes during 2017/18

Staffordshire Police has decided to implement a de-Minimis level of £10,000 for the amount of expenditure that can be capitalised but this accounting policy affects the Group not the Chief Constable.

Prior Year Reclassifications

Prior period restatement of the Cash flow from direct method to Indirect Method.

Accounting Standards Issued but not adopted

The Code of Practice on Local Authority Accounting requires the Authority to disclose the expected impact of new standards that have been issued but not yet adopted by the Code. Although a

number of new and revised standards fall into this category, none are expected to have a material effect on the Staffordshire Police statements.

2.1.3 Critical Accounting Policies

Only the critical Accounting Policies used in preparing these statements are provided below. A full list of Accounting Policies can be found at Appendix A.

Accruals of Expenditure and Income

The revenue and capital accounts of the Police are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period in which they are earned or incurred and not when money is received or paid. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet.

Government Grants and Contributions

Government Grants and contributions are credited to income in the CIES only when there is reasonable assurance that any attached conditions will be met. Specific grants are credited to the relevant service line, while non-ring fenced and capital grants are credited to Taxation and Non-specific grant income.

Any grants received where conditions have not been met are carried in the Balance Sheet as a specific reserve.

Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in the Group 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:

With the creation of the two corporations sole (the OPCC and PCC) and the requirement for each to produce their individual statements of account, judgements have been made as to which statement of account income; expenditure; assets and liabilities have been allocated. This has been based on the substance of the transaction and not just the legal form.

The key judgements are:

- All income and grants are recognised and is received by the OPCC which then transfers over the funding to the PCC to run the day to day operational policing.
- All day to day expenditure outside of those properly charged to the OPCC are recognised in the Chief Constable's Statement of Accounts.
- All assets are held by the OPCC who consents to their usage by the Constabulary in carrying out of their policing service.
- All Assets and liabilities are held by the Commissioner with the exception of the Accumulated Absences, Insurance Provisions, PAYE and NI and Pension Liability applicable to the Constabulary for which the Chief Constable holds unusable reserves
- All other reserves are held by the OPCC

2.2 Supplementary Comments

This Statement of Accounts is prepared according to International Financial Reporting Standards (IFRS) which specifically require some further information to be provided. This information is provided below.

2.2.1 Key Changes affecting 2017/18 Statements

For 2017/18 the Government has not implemented any legislative or funding changes that have made a material impact on OPCC Statement of Accounts.

2.2.2 Assumptions about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The assumptions made about future and other major sources of estimation and uncertainty are in the following table:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Insurance Provisions	The insurance provision is based on estimates for all claims/liabilities known to the Group. Each claim is assessed and estimated based on experience and knowledge from previous similar claims and from information provided by the insurance company. These insurance provisions are updated for any known changes as and when required internally and on a monthly basis by the insurance company.	It is difficult to predict the actual outcome of most claims until they are finalised, however as long as the risk has been identified this poses a smaller risk to the Group. A bigger risk is for any unforeseen, unusual insurance claims successfully made against the force. However, the Group has a £100,000 limit on each and every incident before the insurance company will then cover all other costs. Therefore, this is the maximum risk for every incident.
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 Group with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured and are shown in section 9.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

3.1 Comprehensive Income and Expenditure Statement (CIES)

This Statement reflects the resource of the Office of the Police and Crime Commissioner Staffordshire that is consumed at the request of the Chief Constable. Government funding and other grant income belongs to the PCC, therefore all expenditure is funded by the PCC through an intra-group adjustment.

2016/17 Net Expenditure £000	Notes	2017/18 Net Expenditure £000
(2,477) Grants & Contributions		(5,380)
(4,337) Reimbursements		(4,087)
(2,009) Sales, Fees & Charges		(1,661)
(147) Other Income		(93)
(8,970) Total Income		(11,221)
56,731 Police Officer Pay and Allowances		63,500
52,094 Police Staff Pay and Allowances		59,004
4,994 Other Employee Expenses		5,113
3,691 Police Pensions		4,789
3,804 Premises		4,134
3,050 Transport		3,135
14,354 Supplies and Services		16,533
12,231 Agency and Contracted Services		14,235
7,691 Depreciation, Amortisation and Impairment		6,701
921 Non Distributed Costs		2,487
159,561 Total Expenditure		179,631
150,591 Cost of Services Before Intra-group Funding		168,410
(180,266) Intra-group Funding	6.1.1	(185,586)
(29,675) Total Cost of Services		(17,176)
69,898 Financing and Investment Income and Expenditure	6.1.2	62,003
(39,938) Grant Received From Home Office in respect of the pension fund account	7.1	(41,431)
285 (Surplus) or deficit on Provision of Services		3,396
325,285 Re-measurement of the net defined benefit liabilities	9.1.2	(143,455)
325,285 Other Comprehensive (Income) and Expenditure		(143,455)
325,570 Total Comprehensive (Income) and Expenditure		(140,059)

3.2 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets of the CC (assets less liabilities) are matched by the reserves held by the CC. The CC only holds unusable reserves, i.e. reserves that the CC is not able to use to provide services. This category of reserves includes reserves that hold timing differences shown in the Movement in Reserves Statements line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017 £000	Notes	31 March 2018 £000
0 Long Term Assets		0
4,621 Short Term Debtors	6.2.1	4,789
4,621 Current Assets		4,789
(6,504) Short Term Creditors	6.2.2	(6,073)
(6,504) Current Liabilities		(6,073)
(1,920) Provisions	6.2.3	(2,073)
(2,129,743) Liability Related to Defined Benefit Pension Schemes	6.2.4	(1,990,130)
(2,131,663) Long Term Liabilities		(1,992,203)
(2,133,546) Net Liabilities		(1,993,487)
Financed by:		
Usable Reserves:		
2,133,546 Unusable Reserves	6.2.4	1,993,487
2,133,546 Total Reserves		1,993,487

3.3 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The statement does not show any usable reserves as these are managed by the PCC.

	Notes	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total CC Reserves £000
Balance as at 1 April 2016		0	0	(1,807,976)	(1,807,976)
<i>Movement in Reserves During 2016/17:</i>					
Total Comprehensive Income and Expenditure	3.1	(285)	(285)	(325,285)	(325,570)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	5.2	285	285	(285)	0
Net increase/(decrease) before Transfers to Earmarked Reserves		0	0	(325,570)	(325,570)
Transfers To/From Earmarked Reserves		0	0	0	0
Decrease in 2016/17		0	0	(325,570)	(325,570)
Balance at 31 March 2017 Carried Forward		0	0	(2,133,546)	(2,133,546)
<i>Movement in Reserves During 2017/18:</i>					
Total Comprehensive Income and Expenditure	3.1	(3,396)	(3,396)	143,455	140,059
Adjustments Between Accounting Basis and Funding Basis Under Regulations	5.2	3,396	3,396	(3,396)	0
Net increase/(decrease) before Transfers to Earmarked Reserves		0	0	140,059	140,059
Transfers To/From Earmarked Reserves		0	0	0	0
Decrease in 2017/18		0	0	140,059	140,059
Balance at 31 March 2018 Carried Forward		0	0	(1,993,487)	(1,993,487)

3.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting year. The Chief Constable did not have a bank account nor hold any cash balances or make any banking transactions during 2017/18. However, as the Cost of Services in the CC's CIES is funded by an Intra-Group transfer there is clearly a notional transfer of cash being made between the two Single Entities and the Cash Flow Statement reflects this.

	Notes	Restated CC 2016/17 £000	CC 2017/18 £000
Net (Surplus) or deficit on the provision of services	3.1	285	3,396
Adjustment to net (surplus) or deficit on the provisions of services for non-cash movements	6.4	(285)	(3,396)
Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		0	0
Net Cash Flow operating Activities		0	0
Investing Activities		0	0
Financing Activities		0	0
Net Increase or decrease in cash and cash equivalents		0	0
Cash and cash equivalents at the beginning of the reporting period		0	0
Cash and Cash equivalent at the end of the reporting period		0	0

4.1 Independent Auditor's Report to the members of The Chief Constable of Staffordshire Police

Opinion

We have audited the financial statements of the Chief Constable of Staffordshire for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- *Chief Constable of Staffordshire Movement in Reserves Statement;*
- *Chief Constable of Staffordshire Comprehensive Income and Expenditure Statement;*
- *Chief Constable of Staffordshire Balance Sheet;*
- *Chief Constable of Staffordshire Cash Flow Statement* and the related notes 1 to 9.1.9; and
- *Chief Constable of Staffordshire Pension Fund Account.*

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Staffordshire as at 31 March 2018 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 2017/18.

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 Chief Constable for [insert location] 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 Financial Officer and Section 151 officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Chief Financial Officer and Section 151 officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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 Chief Constable Statement of Accounts set out on pages 1 to 12, other than the financial statements and our auditor's report thereon. The Chief Financial Officer and Section 151 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 November 2017, we are satisfied that, in all significant respects, the Chief Constable for Staffordshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibilities of the Chief Financial Officer and Section 151 Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 25, the Chief Finance Officer and Section 151 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer and Section 151 Officer is responsible for assessing the Chief Constable'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 Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

The Chief Constable 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 November August 2017, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this

criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable 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 Chief Constable of Staffordshire 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 Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable'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 Chief Constable of Staffordshire 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 the Chief Constable of Staffordshire, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Staffordshire, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
27 July 2018

The maintenance and integrity of the Chief Constable of Staffordshire web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

4.2 Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Chief Constable of Staffordshire Police

The Chief Constable is required to:

- Make arrangements for the proper administration of the financial affairs of Staffordshire Police Force and to ensure that one of its officers (Chief Financial Officer) has responsibility for the administration of those affairs. In this organisation the Head of Finance is the Chief Financial Officer;
- Manage Staffordshire Police's affairs to secure the economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

I accept the above responsibilities and approve these Statement of Accounts for 2017/18.

X

Gareth Morgan
Chief Constable
Staffordshire Police

Responsibilities of the Chief Financial Officer to the Chief Constable

The Chief Financial Officer is required to:

- Ensure that the financial affairs of the force are properly administered and that financial regulations are observed and kept up to date;
- Report to the Chief Constable, the PCC and the external auditor, any unlawful, or potentially unlawful expenditure by the Chief Constable or officers of the Chief Constable;
- Provide information to the CFO to the PCC as required to enable production of group accounts.

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts for the Chief Constable in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

- In preparing these Statement of Accounts the Chief Financial Officer has:
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Corporation Sole of the Chief Constable of Staffordshire Police as at 31st March 2018 and its income and expenditure for the year ended 31st March 2018.

X

John Bloomer
Chief Finance Officer
Staffordshire Police

Funding Basis vs IFRS Basis

Local Authorities are required by statute to make their funding decisions on a different basis from the Statement of Accounts, which is required to follow International Financial Reporting Standards (IFRS). The accounts used for resource allocation and budget management are shown on a funding basis and a number of adjustments are, therefore, required to produce the Statement of Accounts on an IFRS basis. The adjustments required to the CIES are generally offset by adjustments to unusable reserves. The impact on the CIES is shown in section 5 and the movements in reserves are shown in section 6.

5.1 Expenditure (IFRS) and Funding Analysis

The Expenditure and Funding Analysis (EFA) brings together both the fiscal/ funding framework and the accounting framework by the service. It takes the net expenditure that is chargeable to taxation and reconciles it to the CIES Surplus or Deficit on the Provision of Services.

General Fund	2016/17 Adjustments Between Funding Basis and IFRS Basis		CIES		General Fund	2017/18 Adjustments Between Funding Basis and IFRS Basis		CIES	
	£000	£000				£000	£000		
90,205	(33,474)	56,731		Police Officer Pay and Allowances	90,304	(26,804)	63,500		
48,696	3,398	52,094		Police Staff Pay and Allowances	51,713	7,291	59,004		
4,994	0	4,994		Other Employee Expenses	5,113	0	5,113		
3,691	0	3,691		Police Pensions	4,789	0	4,789		
3,804	0	3,804		Premises	4,134	0	4,134		
3,050	0	3,050		Transport	3,135	0	3,135		
14,354	0	14,354		Supplies and Services	16,533	0	16,533		
12,231	0	12,231		Agency and Contracted Services	14,235	0	14,235		
0	7,691	7,691		Depreciation, Impairment etc	0	6,701	6,701		
520	401	921		Non Distributed Costs	151	2,336	2,487		
181,545	(21,984)	159,561		Net Cost of Services	190,107	(10,476)	179,631		
(2,477)	0	(2,477)		Grants & Contributions	(5,380)	0	(5,380)		
(4,337)	0	(4,337)		Reimbursements	(4,087)	0	(4,087)		
(2,009)	0	(2,009)		Sales, Fees & Charges	(1,661)	0	(1,661)		
(147)	0	(147)		Other Income and Expenditure	(93)	0	(93)		
(172,575)	(7,691)	(180,266)		Intra-group Funding	(178,886)	(6,700)	(185,586)		
0	(29,675)	(29,675)		Net Cost of Services	0	(17,176)	(17,176)		
0	0	0		(Surplus) or Deficit on disposal of assets	0	0	0		
0	69,898	69,898		Financing and Investment Income and Expenditure	0	62,003	62,003		
0	(39,938)	(39,938)		Taxation and Non-Specific Grant Income	0	(41,431)	(41,431)		
0	285	285		(Surplus) or deficit on Provision of Services	0	3,396	3,396		
0	0	0		(Surplus) or Deficit on revaluation of non current	0	0	0		
0	325,285	325,285		Re-measurement of the net defined benefit liabilities	0	(143,455)	(143,455)		
0	0	0		Transfers To/(From) Earmarked Reserves	0	0	0		
0	325,570	325,570		Net Surplus / Deficit funded from General Fund	0	(140,059)	(140,059)		
0				Opening General Fund Balance at 1 April	0				
0				Surplus or (Deficit) on General Fund	0				
0				Transfers To/(From) Earmarked Reserves	0				
0				Closing General Fund at 31 March	0				

5.1.1 Analysis of EFA adjustments

2017/18 Adjustments from General Fund to arrive at CIES

Adjustments from General Fund to arrive at the CIES	Pensions £000	Other £000	Total £000
Police Officer Pay and Allowances	26,410	393	26,803
Police Staff Pay and Allowances	(7,344)	53	(7,291)
Non Distributed Costs	(2,336)	0	(2,336)
Net Cost of Services	16,730	446	17,176
Grants & Contributions	41,431	0	41,431
Other Income and Expenditure	(62,003)	0	(62,003)
CIES Surplus or Deficit on the Provision	(3,842)	446	(3,396)

2016/17 Adjustments from General Fund to arrive at CIES

Adjustments from General Fund to arrive at the CIES	Pensions £000	Other £000	Total £000
Police Officer Pay and Allowances	33,500	(26)	33,474
Police Staff Pay and Allowances	(3,132)	(266)	(3,398)
Non Distributed Costs	(401)	0	(401)
Net Cost of Services	29,967	(292)	29,675
Grants & Contributions	39,938	0	39,938
Other Income and Expenditure	(69,898)	0	(69,898)
CIES Surplus or Deficit on the Provision	7	(292)	(285)

Note (i) Net Change for Pensions Adjustments

This column reflects the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs;
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note (ii) Financing and Investment Income and Expenditure Adjustments

This column adjusts for investment income and borrowing costs that are charged to the Police Fund but are not included in the Net Costs of Policing Services.

Note (iii) Other Adjustments

This column reflects variations in the amount chargeable for Council Tax under Statute and the Code; and timing differences relating to accruing for compensated absences earned but not taken in the year (absorbed by the Accumulated Absences Account).

5.2 Adjustments between IFRS Basis and Funding Basis

This note details the adjustments that are made to the Comprehensive Income & Expenditure recognised by the CC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the CC to meet future capital and revenue expenditure.

2016/17			2017/18	
General Fund Balance £000	Total Unusable Reserves £000		General Fund Balance £000	Total Unusable Reserves £000
		Adjustments Involving the Pensions Reserve		
111,334	(111,334)	Reversal of items relating to retirement benefits debited or credited to the CIES	120,446	(120,446)
(71,403)	71,403	Employers Pensions contributions and direct payments to pensioners payable in the year	(75,173)	75,173
(39,938)	39,938	Additional contribution to the Pension Fund to balance the deficit on the Fund Account	(41,431)	41,431
		Adjustment Involving the Accumulated Absences Account		
292	(292)	Amount by which officer remuneration charged to the CIES on a accruals basis is different from funding basis	(446)	446
285	(285)	Total Adjustments	3,396	(3,396)

Notes to the Financial Statements

These notes provide information that supports and helps in interpreting the Financial Statements.

6.1 Comprehensive Income and Expenditure Notes**6.1.1 Intra-Group Funding Arrangements between the PCC and the Chief Constable**

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2017/18 amounts to £185.6m (£180.3m in 2016/17). This has been re-presented in the CIES and is now included within the Net Cost of Policing Services, in line with current best practice for the preparation of Police Accounts.

2016/17		2017/18
£000		£000
150,591	Chief Constable's Cost of Services	168,410
69,898	Interest on the net defined benefit liability	62,003
(39,938)	Home Office grant towards cost of retirement	(41,431)
325,285	Re-measurement of the net defined benefit liability	(143,455)
505,836	Resources Consumed	45,527
Items removed through the MIRS		
(325,278)	Movement in pensions liability	139,613
(292)	Movement in accumulated absences liability	446
180,266	Total Resources consumed for the year by the Chief Constable and funded by the PCC	185,586

6.1.2 Financing and Investment Net Expenditure

Financing and Investment includes the following items:-

2016/17	2017/18
£000	£000
69,898 Pension Net Interest Cost	62,003
69,898 Total	62,003

6.1.3 Specific Grants

Included within the Gross Income figure in the Net Cost of Services in the CIES for the CC are contributions of £3.887m. There are no specific grants included as these were all paid to the PCC during the year.

6.1.4 Taxation and Non-Specific Grant Income

The only non-specific grant shown on the CC's CIES relates to the Police Pensions Top-up Grant that is paid from the Home Office to the Pension Fund via the OPCC to meet the shortfall for the

year where income to the Fund is less than its expenditure. Further information about this Grant is contained within the Supplementary Financial Statement and associated notes.

6.1.5 Audit Fees

The audit fees payable in 2017/18 to the Auditors in relation to the audit of CC accounts were as follows: The 17/18 audit fees disclosed include additional fee for overruns in the 15/16 audit following approval by Public Sector Audit Appointment.

2016/17 £000	2017/18 £000
15 External Audit Fees	15
0 Additional External Audit Fees 2015/16	11
15 Total Audit Fees	26

6.1.6 Material Items of Income and Expenditure

There are no material items of Income or Expenditure in 2017/18 that require specific disclosure.

6.2 Balance Sheet Notes

6.2.1 Debtors

A breakdown of the Debtors figure in the balance sheet is provided below. The balance per debtor category is shown net of any impairment. The Intra-Group Funding amount relates to the balances of the insurance provision £2,072m in 2017/18 (£1,920m in 2016/17) and the PAYE / NI creditor £2,716m (£2,701m in 2016/17) that are shown on the CC's Balance Sheet. No cash funding has been paid over from the PCC to the CC for these as at 31st March 2018 and an equal and opposite entry is included within Creditors in the PCC's Single Entity Accounts.

2016/17 £000	2017/18 £000
4,622 Intra-Group Funding not yet paid over from the PCC in cash	4,789
4,622	4,789

6.2.2 Creditors

A breakdown of the Creditors figure in the Balance Sheet is provided below.

2016/17 £000	2017/18 £000
2,701 Central Government Bodies	2,716
3,803 Other Entities and Individuals	3,357
6,504	6,073

6.2.3 Provisions

Provisions fall into two categories depending on when the related payments are expected to be made. Provisions with expected pay outs within one year are classed as current liabilities and those expected to be paid out in excess of one year are long term liabilities. Provision are now under the control of the Chief Constable and as such have moved from the Balance Sheet of the PCC to the Balance Sheet of the Chief Constable.

Insurance Provision

This provision was established to meet liability claims which are not covered by external insurers. The balance reflects the Group's independent external insurance advisor's assessment of the level of outstanding liabilities. The provision represents non-current amounts which are expected to be recovered or settled over more than 12 months. No amounts are expected within one year.

2016/17 £000	2017/18 £000
1,400 Balance as at 1 April	1,921
1,270 Contribution to provision in year	785
2 Interest on Balances transferred to the provision	0
(751) Net Expenditure in year	(633)
1,921 Balance as at 31 March	2,073

6.2.4 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions for meeting expenditure from the General Fund. These reserves represent differences due to timing of funding certain items of expenditure and are, therefore, not available as a source of general funding.

	Balance 1 April £000	Transfers Out £000	Transfer In £000	Balance 31 March £000
Accumulated Absences Account	(3,803)	0	446	(3,357)
Pension Reserve	(2,129,743)	0	139,613	(1,990,130)
Total	(2,133,546)	0	140,059	(1,993,487)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March.

Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

The Reserve relates to Police Officers and Staff who are under the direction and control of the Chief Constable. The Opening Balance of the Reserve as at 1st April 2012 was transferred to the CC Single Entity with effect from that date. The entries for the CC Single Entity below relate to the balances on the Reserve that relate to those staff that were under the direct control of the CC as at 31st March 2017 and 31st March 2018.

2016/17		2017/18	
£000	£000	£000	£000
	(3,509)		(3,803)
3,509	Settlement or Cancellation of Accrual Made at the End	3,803	
<u>(3,803)</u>	Amounts Accrued at the End of the Current Year	<u>(3,357)</u>	
	Amount by Which Officer Remuneration Charged to		
	the CIES on Accruals Basis is Different From		
	Remuneration Chargeable in the Year in Accordance		
	with Statutory Requirements.		
	(294)		446
	<u>(3,803)</u>		<u>(3,357)</u>
	Balance as at 31 March		

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for the funding of benefits in accordance with statutory provisions. The CC accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement 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 CC makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the CC has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17		2017/18
£000		£000
(1,804,465)	Balance as at 1 April	(2,129,743)
(325,285)	Re-measurement of the net defined benefit Liability	143,455
	Reversal of Items Relating to Retirement Benefits	
(111,334)	Debited or Credited to CIES	(120,446)
	Employers Pensions Contribution and Direct	
71,403	Payments to Pensioners Payable in the Year	75,173
	Additional Contribution to the Pension Fund	
39,938	Balance the Deficit on the Fund Account	41,431
<u>(2,129,743)</u>	Balance as at 31 March	<u>(1,990,130)</u>

6.3 Other Notes

6.3.1 Termination Benefits and Exit Packages

During 2017/18 the CC approved 21 voluntary redundancies and early retirements (11 in 2016/17) at a total cost of £0.597m (£0.442m in 2016/17).

Exit Package Cost Band	Number of Exit Packages		Total Cost of Exit Packages in each Band	
	2016/17	2017/18	2016/17 £	2017/18 £
£0 - £20,000	4	4	47,888	48,877
£20,001 - £40,000	4	16	130,750	463,939
£40,001 - £60,000	1	0	40,753	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	1	1	96,057	84,527
£100,001 - £120,000	1	0	126,813	0
Total	11	21	442,261	597,342

6.3.2 Officers Remuneration

The number of employees (including senior employees and relevant police officers) whose remuneration was £50,000 or more in bands of £5,000 were:

Remuneration Band	Number of Employees	
	2016/17	2017/18
£50,000 - £54,999	86	126
£55,000 - £59,999	42	42
£60,000 - £64,999	13	17
£65,000 - £69,999	3	4
£70,000 - £74,999	2	5
£75,000 - £79,999	7	5
£80,000 - £84,999	0	3
£85,000 - £89,999	3	1
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	1	1
£105,000 - £109,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	0	1
£120,000 - £124,999	1	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	1	0
Total	159	207

The number of individuals earning £50,000 or above has increased mainly due to the impact of the 2017/18 Police Officer pay award. The remuneration bands are not adjusted in line with pay awards, therefore it is likely that if the bandings we report against do not increase in future years, we will see a further increases in employee numbers within this note due solely to annual pay awards. This has meant that a number of individuals now fall within the note who last year did not meet the threshold for us to report on

6.3.3 Disclosure of Remuneration for Senior Executives 2017/18

Post Holder Information	Notes	£ Salary	£ Bonuses and Allowances	£ Benefits in Kind	£ Other Payments	£ Total Remuneration Excluding Pension Contribution	£ Pension Contribution	£ Total Remuneration
Senior Executives of the Chief Constable								
Chief Constable (A)	1,2,5	114,247	0	4,225	2,402	120,874	24,335	145,208
Chief Constable (B)	1	37,089	0	516	767	38,372	0	38,372
Deputy Chief Constable	1,2	120,127	0	2,080	2,635	124,842	2,120	126,962
Assistant Chief Constable A	1,2	105,995	0	3,061	2,635	111,691	22,577	134,268
Assistant Chief Constable B	1,2	101,212	0	2,055	2,635	105,902	21,803	127,704
Director of People and Resources	3	48,266	0	0	0	48,266	7,481	55,747
Chief Finance Officer (Section 151 officer)	4	1,626	0	0	0	1,626	0	1,626
Sub Total Chief Constable		528,562	0	11,938	11,073	551,572	78,315	629,888

1. Other Payments represent Housing Allowance.
2. Benefits in Kind represents private use of Force vehicle.
3. Director of People and Resources from 16th October 2017
4. Chief Finance Officer from 23rd March 2018, prior to this period the duties of the Section 151 officer role were discharged by interim appointments.
5. Chief Constable from 19th June 2017

6.3.4 Disclosure of Remuneration for Senior Executives 2016/17

Post Holder Information	Notes	£ Salary	£ Bonuses and Allowances	£ Benefits in Kind	£ Other Payments	£ Total Remuneration Excluding Pension Contribution	£ Pension Contribution	£ Total Remuneration
Senior Executives of the Chief Constable	1							
Chief Constable	2,3	144,171	0	1,935	3,066	149,172	0	149,172
Deputy Chief Constable	2,3	118,938	0	2,001	2,635	123,574	25,334	148,908
Assistant Chief Constable A	2,3	22,729	0	379	578	23,686	4,841	28,527
Assistant Chief Constable B	2,3	98,682	0	3,208	2,635	104,525	21,019	125,544
Assistant Chief Constable C	2,3,4	64,962	0	1,363	1,756	68,081	13,837	81,918
Sub Total Chief Constable		449,482	0	8,886	10,670	469,038	65,031	534,069

Note (1): During this period the duties of the Section 151 officer role have been discharged by interim appointments with payments to third parties totalling £131,830.

Note (2): Other Payments represent Housing Allowance.

Note (3): Benefit in Kind represents private use of a Force vehicle.

Note (4): Assistant Chief Constable from 1st August 2016.

6.3.5 Related Party Transactions

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

The Chief Constable, senior officers and departmental heads were contacted to obtain the required declarations. The Chief Constable also has business relationships with Central Government and a number of other public organisations, such as Staffordshire County Council.

Details of our related party transactions are as follows:

- Police and Crime Commissioner – all funding for operational police services is effectively controlled by the Police and Crime Commissioner for Staffordshire and recharged to reflect the resources consumed by the CC on the PCC's behalf to deliver the Police and Crime Plan. The PCC for Staffordshire can hold the Chief Constable to account for the performance of the Force. The PCC, in consultation with the CC, decides on the level of funding that the CC receives and sets a budget for the force each year.
- Senior officers and other employees – there are no known related party transactions.

6.3.6 Pooled Budgets and Joint Operations

The Group actively works with other police forces to deliver areas of operational policing and back office functions. Some arrangements have financial implications and these are explained below:

Central Counties' Air Operations Unit (CCAOU) with West Mercia Police

As from 1st October 2013, the joint arrangement with West Mercia Police for the provision of air support ceased to exist. This service is now provided by NPAS the National Police Aviation Service. The charges for the service in 2017/18 amounted to £344k (2016/17 £456k).

Central Motorway Police Group with West Midlands Police and West Mercia Constabulary

The PCCWM is engaged in a jointly controlled operation with Staffordshire PCC and West Mercia PCC for the Policing of the Motorway network in the West Midlands area known as the Central Motorway Police Group. PCCWM provides the financial administration service for this joint unit.

The assets of the unit in respect of police vehicles, equipment and land and buildings are held individually by each PCC and are shown on each force's balance sheet.

The three police forces have an agreement in place for funding this unit with contributions to the agreed budget of 50.7% from PCCWM, 25.4% from West Mercia PCC and 23.9% from Staffordshire PCC. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The revenue account for the Unit covers all operating costs. The details for 2017/18 are as follows:

2016/17 £000		2017/18 £000
Contributions to the Pooled Budget:		
(3,906)	West Midlands PCC	(3,910)
(1,959)	West Mercia PCC	(1,961)
(1,845)	Staffordshire PCC	(1,847)
(4)	Other Income	(85)
(7,714)	Total Income	(7,803)
Expenditure met from Pooled Budget:		
7,049	Pay and Allowances	7,195
68	Premises Costs	52
429	Transport Costs	402
124	Communications and Computing	118
44	Supplies and Services	36
7,714	Total Expenditure	7,803
0	Net Surplus/(Deficit) arising during the year	0
0	Staffordshire PCC share (23.9%) of Surplus/(Deficit)	0

Regional Organised Crime Unit (ROCU) with West Midlands Police

The West Midlands Regional Organised Crime Unit (WMROCU) is a collaboration between the police forces of Staffordshire, Warwickshire, West Midlands and West Mercia to fight organised crime across the region.

The aim of WMROCU is to reduce the impact and increase the disruption of serious and organised crime with the region and beyond. West Midlands Police acts as the lead force this joint arrangement and provides the financial management service for the unit.

The unit is funded in part by force contributions and also by grants from the Home Office and the National Cyber Security Programme (NCSP). The revenue account for this unit cover all operating costs. The details are as follows.

2016/17 £000		2017/18 £000
Funding provided to WM ROCU		
(4,858)	Contribution from West Midlands Police	(11,787)
(1,426)	Contribution from West Mercia Police	(3,619)
(1,587)	Contribution from Staffordshire Police	(3,515)
(733)	Contribution from Warwickshire Police	(1,758)
(2,413)	WMROCU Grant	(2,399)
(358)	National Cyber Security Programme funding	(270)
(168)	Regional Asset Recovery Team grant	(155)
0	ROCU Reserves	(135)
0	Additional Home Office funding (grant provided End-year in 2017-18)	(1,000)
(11,543)		(24,638)
WM ROCU expenditure		
997	Regional Asset Recovery Team (RART)	1,138
168	RART – ACE team	155
789	Regional Cyber Crime Unit	678
196	Regional Fraud Team	248
784	Regional Intelligence Unit	0
879	Regional Prisons Intelligence Unit	999
893	UKPPS (protected Persons)	968
82	Project Management	0
0	Project Management (Phase 2)	0
76	Operational Security (OPSY)	18
49	Regional Government Agency Intelligence Network	34
948	Command Team	1,378
3984	Regional Confidential Unit	4,903
741	TIDU – Technical Intelligence	813
0	Enabling Services	108
0	SOCU	3,954
0	Regional Surveillance Unit (FSU)	6,970
957	Other Regional Operations	1,274
0	Additional Contribution to Reserves	1,000
11,543	Total expenditure	24,638
0	Total Net Expenditure	0

Joint Emergency Transport Service (JETS)

The Joint Emergency Transport Service delivers all aspects of fleet services for Fire and Police vehicles in Staffordshire. JETS was established in April 2016 and is located at the Staffordshire Fire Workshop's at Trentham Lakes. Some overheads costs are shared at a 51:49 split Police: Fire respectively. Other costs are direct to each Service. All the stock is held separately with identifiable stock control. The cost to Staffordshire Police for the transport service in 2017/18 £2,644,503 (2016/17 £2,294,275).

Legal Services

During 2011/12 a Section 22a collaboration agreement was signed with West Midlands Police for the joint delivery of a Legal Services Department. The collaborative working arrangement began in 2011/12. In 2017/18 a contribution of £0.119m (£0.204m in 2016/17) was made to West Midlands Police towards the cost of legal services and this figure is included in the Comprehensive Income and Expenditure Statement of the Group.

Firearms Licensing

On 1 August 2013 a collaborative working arrangement commenced with West Midlands Police for the joint delivery of a Firearms Licensing Department based in Staffordshire and with all Police Staff being employed by Staffordshire Police. A contribution of £0.174m has been made by West Midlands Police towards the cost of the service during 2017/18 (£0.174m in 2016/17). This figure is included in the Comprehensive Income and Expenditure Statement of the Group. A formal agreement is in place.

6.3.7 Contingent Liabilities

The Chief Constable of Staffordshire, along with other Chief Constables and the Home Office, currently have claims lodged against them with the Central London Employment Tribunal. The claims lodged against the Chief Constable of Staffordshire is 185 and are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in 2016/17 these claims were heard in the Employment Tribunal.

In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgments. In the case of the Firefighters the claimants are also appealing against aspects of the judgment. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

The Chief Constable of Staffordshire along with other Chief Constables had claims lodged against them with the Central London Employment Tribunal. Those claims were in respect of alleged unlawful age discrimination arising from the application of Reg A19 which compulsorily retired officers with 30 years pensionable service. Previous decisions at Employment Tribunal Appeal, Court of Appeal and Supreme Court having been in the defendant force's favour and the cases are no longer going to progress. For these reasons, no provision has been made in the 2017/18 Accounting Statements and this case will not be referred to in future Accounting Statements.

The Chief Constable of Staffordshire along with other Chief Constables had claims lodged against them in the Courts predominately in the Mayor's and City of London County Court. The number of claims against the Chief Constable of Staffordshire is 19 and are in respect of breaches of the Police Regulations 2003 in particular, failure to pay overtime, compensatory leave and other on call allowances to CHIS handlers. The cases against all Forces have been stayed pending agreement on lead cases, which are due to be determined at a further hearing on 6-7 August 2018. These claims will have a financial impact on Staffordshire Police, but the level of such impact is unclear at this stage, as the investigation into the likely value of compensation to the Claimants is still ongoing.

6.3.8 Events after the Balance Sheet date

There are no events after the balance sheet date.

6.4 Cash Flow Notes

Restated CC 2016/17 £000	CC 2017/18 £000
(465) (Increase) / decrease in revenue creditors	431
694 Increase / (decrease) in revenue debtors	167
7 Movement in pension liability	(3,842)
(521) Movement in provisions	(152)
(285) Adjustment to net (surplus) or deficit on the provisions of services for non-cash movements	(3,396)

SUPPLEMENTARY FINANCIAL STATEMENT AND NOTES

7.1 Police Pension Scheme for England and Wales

7.1.1 Pension Fund Accounts 2017/18

FUND ACCOUNT 2016/17 £000		FUND ACCOUNT 2017/18 £000	
	Contributions Receivable:		
	From employer		
(12,847)	Contributions at 21.3% of Pensionable Pay	(12,734)	
(1,105)	Early Retirements	(1,907)	
(47)	Other - Pre 1974 Recharge Receipts	(17)	
<u>(8,301)</u>	Officers Contributions	<u>(8,125)</u>	
(22,300)			(22,783)
(257)	Transfers in from Other Schemes		(483)
	Benefits Payable:		
47,514	Pensions	49,648	
14,591	Commutations and Lump Sum Retirement Benefits	14,834	
27	Additional Lump Sum payments to members following Ombudsman decision Milne v GAD	0	
<u>277</u>	Lump Sum Death Benefits	<u>313</u>	
62,409			64,795
	Payments to and on Account of Leavers:		
2	Refund of Contributions	9	
<u>111</u>	Individual Transfers out to Other Schemes	<u>0</u>	
113			9
<u>39,965</u>	Sub-total for the year before transfer from the Group of amount equal to the deficit		<u>41,538</u>
	Net Amount Payable / Receivable for the year		
<u>(39,965)</u>			<u>(41,538)</u>
	(27) Recoverable From the Home Office via the OPCC		0
0	Adjustment of 2.9% to the cash flow due to a reduction in the employer contributions rate from 24.2% to 21.3% that is reflected in a reduction in the Home Office Pension Top Up Funding		107
<u>(39,938)</u>	Actual Home Office Top Up Funding		<u>(41,431)</u>

7.1.2 Notes to Supplementary Financial Statements

The Chief Constable is required by law to operate a pension fund and the Pension Fund for Police in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI2007 No.1932). Due to the fact that the Chief Constable does not hold assets or liabilities, no cash is transacted by the Chief Constable. All payments and receipts into and out of the fund are made by the OPCC such That the Chief Constable can fulfil the administration of the fund. The Fund is accounted for in the following ways:

- All receipts and payments relating to the 1987 and 2006 Police Pensions Regulations are generally receivable into and payable out of the Pension Fund, unless otherwise specified in the 2007 Regulations
- Specific provision is made for officers' contributions and inward transfer values to be paid into the Fund and for awards payable and outward transfer values to be paid out of the Fund
- The OPCC is required to make a transfer from the Police Fund to the Pension Fund for employer's contributions. The level of these contributions and the officers contributions are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department
- Transfers are required from the Police Fund to the Pension Fund on the event of specified ill health retirements and where discretionary pension payments are made
- With some exceptions, awards payable under the Police (Injury Benefit) Regulations 2006 are met from the Police Fund rather than the Pension Fund

The 2007 Regulations provide that the OPCC must transfer an amount from the Police Fund to the Pension Fund where income to the Pension Fund is less than its expenditure so that the Fund will be balanced to nil at the end of each financial year. In the year ended the 31st March 2018 the OPCC transferred £41.432m into the Fund to meet the excess expenditure in the year (£39.938m in 2016/17). Where the OPCC makes a transfer into the Pension Fund, the Home Office will pay a top-up grant to the OPCC and the OPCC acts as an intermediary for this grant receipt. The grant is shown on the CC's and OPCC Group's Comprehensive Income & Expenditure Statement but is transferred to the Pension Fund Account by an adjustment in the Statement of Movement in Reserves. The top-up grant payable to the OPCC in 2017/18 was £41.432m (£39.938m in 2016/17).

The Chief Constable consults with the PCC regarding accounting policies and both entities have agreed to follow the accounting policies as set by the Group. The accounting policies for the Group are extensive and for that reason, only those that relate to occurring transactions are disclosed in this set of accounts. However if a new type of transaction should arise in the future, the Chief Constable would follow the accounting policy as set out in the Group Statement of Accounts.

This section explains the accounting policies applied in producing the Statement of Accounts. The accounting policies apply to both OPCC group and PCC single entity transactions and statements unless stated otherwise. Where the term "Group" is used below this refers to both the OPCC and PCC.

8.1 General Principles

Statutory Guidance and Accounting Standards Used

The Statement of Accounts summarises the Group's transactions for the 2017/18 financial year and its position at 31st March 2018. It provides the reader with information about the Group's financial position and its stewardship of public funds. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Group and the PCC when preparing and presenting the financial statements. The annual Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2015 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) and the Service Reporting Code of Practice 2017/18 which is based on approved accounting standards. The accounts are supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions in the Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Group Accounts

Under the Police Reform and Social Responsibility Act 2011, the roles of OPCC and PCC became Corporations Sole (separate legal entities) and required individual Statement of Accounts. However, the Act also recognises that the Chief Constable is a wholly owned subsidiary of the OPCC and proper accounting practices require group accounts to be produced.

Income and Cost Recognition and Intra-group Adjustment

The OPCC is responsible for the Police Fund into which all income is received including the main funding streams of Police Grant, Revenue Support Grant, National Non-Domestic Rates and Council Tax as well as income from charges and from which all costs are met.

The OPCC holds a bank account along with the Chief Constable: the OPCC transfers money to the Chief Constable bank account where then payments can be made.

The Chief Constable's Accounts show the cost of undertaking day to day operational policing under the direction and control of the Chief Constable. Expenditure shown in the CIES include the salaries of police officers, PCSOs and police staff as well as the cost of purchases. In addition, a charge is shown for the Chief Constable's use of assets, which are strategically controlled by the PCC. The capital charge is equal to depreciation of property, plant and equipment and amortisation of intangible assets plus any charge for impairment through obsolescence or physical damage. To fund the operational expenditure, the Chief Constable's Accounts show income by way of funding or financial guarantee provided by the OPCC to the Chief Constable. This treatment forms the basis of the intra-group adjustment between the Accounts of the OPCC and the PCC.

The cost of post-employment benefits accrued by serving and ex-police officers and police staff and the cost of accrued absences are shown in both set of accounts.

Accruals of Income and Expenditure

The revenue and capital accounts of the Group are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period in which they are earned or incurred and not when money is received or paid. Further details are given below:

Revenue from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.

Revenue from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Fees, charges and rents due from customers are accounted for as income at the date that the associated goods or services are provided.

For significant accruals such as pay awards, estimates are made based on the best information available at the time. Cost of pay awards not yet settled but likely to apply to part of the financial year to which the accounts relate are based on forecasted cost.

Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Income and expenditure are credited and debited to the relevant service revenue account in the CIES. Capital expenditure creates a fixed asset which is shown on the Balance Sheet.

Specifically the Council Tax precept on billing authorities is accounted for on an accruals basis. As a preceptor the Group recognises its share of collection fund debtors and creditors with each billing

authority. Entries are therefore included within the Balance Sheet to represent the Group's share of the following:

- Council Tax arrears (debtor)
- Impairment allowance for bad/doubtful debts (debtor)
- Council tax overpayments and prepayments (creditor)
- Cash Balances (debtor or creditor as appropriate)

Accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. Where there has been a change to an estimation method from that applied in previous years and the effect is material, a description of the change and if practicable, the effect on the results for the current period is separately disclosed.

Manual accruals of revenue or expenditure are not made where the value of the item is less than £100.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date of 31st March and the date when the Statement of Accounts is authorised for issue. The two types of events and the accounting treatment are given below:

For any material events after the balance sheet date which provide additional evidence regarding conditions existing at the balance sheet date, an adjustment has been made to the Statement of Accounts.

Material events after the balance sheet date which concerned conditions not existing at 31st March have been disclosed as a separate note to the accounts.

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

Government Grants and Contributions

Government grants and other contributions are recognised as due to the Group when the attached conditions have been satisfied and there is reasonable assurance that the grant or contribution will be received.

Grants and contributions are credited to income when there is reasonable assurance that the attached conditions will be met. Any grants received where conditions have not been met are carried in the Balance Sheet as creditors. When all conditions are satisfied, the grant is credited to the relevant service line and non-ring fenced grants and capital grants are credited to Taxation and Non-specific grant income in the CIES.

Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Group in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Exceptional Items

Normally any material exceptional items are separately identified on the face of the CIES, in order to give a fair presentation of the accounts. Where these items are less significant they are included within the relevant line of the CIES, however, details of all exceptional items are given in the Explanatory Foreword.

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.

Operating Lease - Receivable (PCC as lessor)

Where the Group has granted an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease and any direct costs incurred in negotiating and arranging the lease are added to the carrying amount and charged as an expense over the lease term on the same basis as rental income.

Operating Lease - Payable (PCC as lessee)

Rentals paid under operating leases are charged to the service benefiting from use of the leased asset in the CIES. Charges are made on a straight-line basis over the life of the lease, regardless of the pattern of payments.

Employee Benefits

Benefits Payable during Employment

Under IAS19 short term employee benefits are those to be settled within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for the service in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements, flexi leave and time off in lieu earned by employees but not taken

before the year end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable at year end. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the MIRS so that such benefits are charged to revenue in the financial year in which the benefit occurs. The accumulated cost is carried to the Chief Constable's Balance Sheet where it is held as a liability and is matched by an unusable reserve.

Termination Benefits

This policy only applies to members of police staffs including PCSOs. Termination benefits are amounts payable as a result of a decision by the Group to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the Non Distributed Costs line in the Group's CIES. They are charged when the Group is demonstrably committed to the termination of the employment of an employee or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group 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.

Defined Benefit Schemes (Post-Employment Benefits)

Employees of the Group are members of one of two separate defined benefit pension schemes which provide lump sums and pensions upon retirement:

- Police Officers – Police Pension Scheme (PPS)

From 1 April 2015 the Police Pension Scheme 2015 was introduced which changed accrued pension entitlements from a final salary basis to career average. All new police recruits will join this scheme from April 2015. Police Officers in post before this date will be members of the previous 1987 and 2006 schemes or may have transferred to the 2015 scheme dependent upon protection and transitional arrangements for the previous schemes.

Under the Police Pensions Regulations 1987 (as amended) the schemes have no investment assets and the Pension Fund is balanced to nil each year by a transfer from the Police Fund. The Home Office then pay a top-up grant, not exceeding the amount of the transfer, back into the Police Fund. In accordance with IAS19, the charge to the CIES represents the increase in the benefits earned by officers in the current period, including the related finance costs and any changes in the value of the unfunded liabilities.

International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds. The PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin. Discount rates used by the actuaries and other assumptions are sent out in Appendix B in the accounts.

- Police Staff - the Local Government Pension Scheme (LGPS), Administered by Staffordshire County Council

In accordance with IAS19 the charge to the CIES represents the increase in the benefits earned by employees in the current period, including the related finance costs and any changes in the value of the assets and liabilities of the scheme.

The liabilities of the pension fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on

assumptions about mortality rates, employee turnover rates, etc. and projections of anticipated earnings for current employees.

Liabilities are discounted to their value at current prices in line with the actuary's agreed discount rate as stated in the relevant Note to the Accounts. The assets attributable to the Group are also included in the Balance Sheet at fair value:

- Quoted securities – current bid price
- Unquoted securities – professional valuation
- Utilised securities – current bid price
- Property – market value

The change in the net pensions' liability is analysed as follows:

Current service cost – the increase in liabilities as a result of years of service earned this year. This is charged to the CIES and is apportioned across service headings according to numbers of employees.

Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years and charged to the CIES as part of the Non-Distributed Costs.

Net Interest – on the net defined benefit liability (asset), i.e. the net interest expense for the Group – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

The re-measurements comprise of:

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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Group to the pension fund or directly to pensioner in the

year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are appropriations to and from the IAS19 Pension Reserve to remove the notional debits and credits for the 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 IAS19 Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for the retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

The Group also 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 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.

Injury Awards

Injury awards under The Police (Injury Benefits) Regulations 2006 are not part of the Police Pensions Scheme and are funded direct from the CIES. However, liabilities in respect of injury awards are disclosed in the Statement of Accounts as part of the Group overall liability and are measured on an actuarial basis, using the projected unit method.

Provisions

Provisions have only been recognised in the accounts where there is a legal or constructive obligation to transfer economic benefits as a result of a past event and where such an amount can be reliably estimated. Provisions are charged to the CIES and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is eventually incurred, it is charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it is apparent that the provision is not required or is lower than originally anticipated, the provision is reversed and credited back to the relevant part of the CIES.

The force restructuring provision was established to meet the costs of voluntary redundancies and early retirements on the grounds of voluntary redundancy, agreed during the current financial year (and charged to the CIES in that year) but falling into the following financial year. The costs are charged directly to the provision when they are actually paid out.

The insurance provision was established to meet liability claims which are not covered by external insurers. The balance reflects the Group's independent external insurance advisor's assessment of the level of outstanding liabilities. The provision represents non-current amounts which are expected to be recovered or settled over more than 12 months. No amounts are expected within one year.

Contingent Liabilities

Where a potential provision cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the accounts but is instead disclosed in the notes as a contingent liability. A contingent liability also occurs where a liability may arise but is dependent upon the outcome of future events before it can be confirmed.

Contingent Assets

A contingent asset occurs where a possible asset may arise but is dependent upon the outcome of future events before it can be confirmed. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Accounting Policies not relevant or not material

The accounting policies are reviewed each year to assess whether it is appropriate for individual policies to be included. There are a number of accounting policies that have not been included

above, because the statements are not materially affected by their implementation. These policies include:

- Acquisitions and Discontinued Operations
- Restructuring of loan portfolios and treatment of bonds
- De-recognition or impairment of available for sale financial assets, loans and receivables
- Use of capital receipts to fund disposal costs
- Foreign Currency Translation
- Intangible Assets – Recognition of website development and other internally generated assets
- Long term contracts
- Interests in companies and other entities
- Investment properties
- Private Finance Initiatives and Similar Contracts
- Property, Plant and Equipment – Donated Assets
- Heritage Assets
- Finance Leases where the Group is either a lessee or lessor
- Financial Instruments – soft loans

9. Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the CC offers retirement benefits. Although these benefits will not actually be payable until employees retire, the CC has a commitment to make the payments, and that needs to be disclosed at the time that employees earn their future entitlement.

- The Police Pension Scheme for Police Officers (PPS), which is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Further details of this scheme are given in the Supplementary Financial Statement.

Transactions Relating to Retirement Benefits

The CC recognise the cost of retirement benefits 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 the CC is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

9.1.1 Comprehensive Income and Expenditure Statement

	LGPS		PPS	
	£000		£000	
	2016/17	2017/18	2016/17	2017/18
<i>Cost of Services:</i>				
Current Service Cost (Inc Employee Cont)	(8,935)	(15,057)	(32,100)	(41,050)
Past Service Costs	(101)	(336)	(50)	(1,520)
Pensions Transfers In	0	0	(250)	(480)
<i>Financing and Investment Income and Expenditure</i>				
Interest Cost on defined benefit obligation	(9,484)	(8,388)	(66,880)	(58,880)
Interest Income on Plan Assets	6,466	5,265	0	
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on Provision of Services</i>	(12,054)	(18,516)	(99,280)	(101,930)

9.1.2 Re-measurement of the net defined benefit Liability:

	LGPS £000		PPS £000	
	2016/17	2017/18	2016/17	2017/18
Obligations relating to: staff previously under control of the Chief Constable; and new staff in year	84	119	0	0
Return on plan assets (excl the amount inc in the net interest expense)	7,310	(602)	0	0
Re-measurement of the net defined benefit liability- demographic assumptions	24	0	48,760	70,880
Interest Cost on defined benefit obligation	(45,370)	7,718	(420,950)	(66,300)
Re-measurement of the net defined benefit liability- financial assumptions				
Actuarial gains and losses on liabilities experience	12,517	20	72,340	131,620
Total Post Employment Benefit Charged to the CIES	(25,435)	7,255	(299,850)	136,200

9.1.3 Movement in Reserves Statement

	LGPS £000		PPS £000	
	2016/17	2017/18	2016/17	2017/18
Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for the Post-Employment Benefits in Accordance with the Code	12,054	18,516	99,280	101,930
<i>Actual Amounts Charged Against the general Fund Balance for Pensions in the Year:</i>				
Employers Contributions Payable to Scheme	(5,803)	(7,713)	(65,600)	(67,460)
Retirement Benefits Payable to Pensioners	0	0	0	0
Total	6,251	10,803	33,680	34,470

9.1.4 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the CC obligation in respect of its defined benefit plans is as follows:

	2017/18	2016/17	2015/16
	£000	£000	£000
PPS	(1,870,126)	(2,013,287)	(1,719,695)
LGPS	(330,040)	(316,665)	(268,244)
Fair Value of LGPS Assets	210,036	200,209	183,474
PPS	(1,870,126)	(2,013,287)	(1,719,695)
LGPS	(120,004)	(116,456)	(84,770)
Total	(1,990,130)	(2,129,743)	(1,804,465)

9.1.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	LGPS		PPS	
	£000		£000	
	2016/17	2017/18	2016/17	2017/18
Opening Balance at 1 April	(268,243)	(316,665)	(1,719,695)	(2,013,287)
Obligations relating to: staff previously under control of the Chief Constable; and new staff in the year	271	321	0	0
Current Service Cost	(8,935)	(15,057)	(23,800)	(32,930)
Interest Cost	(9,484)	(8,388)	(66,880)	(58,880)
Contributions by Scheme Participants	(2,325)	(2,461)	(8,300)	(8,120)
Remeasurement gain/(loss)	(32,829)	7,738	(299,850)	136,200
Pension Transfers In	0	0	(250)	(480)
Benefits Paid	4,981	4,807	65,600	67,460
Past Service Cost (including curtailments)	(101)	(336)	(50)	(1,520)
Top-up-Grant	0	0	39,938	41,431
Closing Balance at 31 March	(316,665)	(330,041)	(2,013,287)	(1,870,126)

9.1.6 Reconciliation of the Movement in the Fair Value of the Scheme Assets

	LGPS £000	
	2016/17	2017/18
Opening Balance at 1 April	183,473	200,209
Assets relating to: staff previously under control of the Chief Constable; and new staff in the year	(187)	(202)
Interest Income	6,466	5,265
Remeasurement (loss)/gain:		
The return on plan assets, excluding the amount included in the net interest expense	7,310	(602)
Employer Contributions	5,803	7,713
Contributions by Scheme Participants	2,325	2,461
Benefits Paid	(4,981)	(4,807)
Closing Balance at 31 March	200,209	210,037

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The net liabilities show the underlying commitments that the CC has in the long term to pay post-employment (retirement) benefits. In assessing the liabilities for retirement benefits, the actuaries use a set of assumptions including a discount rate set by reference to long term gilt yields. The assumptions used by the actuaries in 2017/18 and the potential effect of changes in these assumptions are set out below. The total net liability of £1,990m has a substantial impact on the net assets of the CC as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the CC remains healthy. The deficit on the local government scheme will be made good by increased contributions over the working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover police officer pensions when the pensions are actually paid.

In March 2011, Lord Hutton published his report into public sector pension provision which set out recommendations for the Government on how to ensure public service pensions were sustainable and affordable in the long term. As a result, negotiations between unions, employers and

government took place and a new style LGPS was agreed, the core principle of which was the move away from a final salaried scheme towards a career average scheme (CARE).

The majority of public sector pension schemes became CARE schemes from 1st April 2015 (including the Police Pension Scheme). However, the Local Government Pension Scheme was selected to make the transition 12 months earlier, on 1st April 2014.

The total contributions that are expected to be made to the Local Government Pension Scheme by the CC in the year to 31st March 2018 are £7.765m.

The rate of employer contributions payable by the CC for LGPS members remained constant at 15.5%.

9.1.7 The Local Government Pension Scheme assets comprised:

	31 st March 2017		31 st March 2018	
	Fair Value of Scheme Assets	% age of Total Assets	Fair Value of Scheme Assets	% age of Total Assets
	£m		£m	
Equity Securities:				
Consumer	13.634	7	9.2508	4
Manufacturing	11.754	6	8.9143	4
Energy and Utilities	5.039	2	2.6137	1
Financial Institutions	13.614	7	8.6633	4
Health and Care	11.309	6	6.3188	3
IT	13.604	7	6.0470	3
Other	0.202	0	0.2316	0
Debt Securities:				
Corporate Bonds (investment grade)	15.094	7	16.1957	8
Corporate Bonds (non-investment grade)	0.000	0	0.0000	0
UK Government	0.000	0	0.0000	0
Other	0.000	0	0.0000	0
Private Equity:				
All	6.452	3	6.2324	3
Real Estate:				
UK Property	16.362	8	16.5124	8
Overseas Property	0.000	0	0.0000	0
Investment Funds and Unit Trusts:				
Equities	67.844	33	100.8729	46
Bonds	11.117	5	12.5602	6
Hedge Funds	3.990	2	3.7477	2
Commodities	0.000	0	0.0000	0
Infrastructure	0.000	0	0.0000	0
Other	3.033	1	5.5071	3

Derivatives:

Inflation	0.000	0	0.0000	0
Interest Rate	0.000	0	0.0000	0
Foreign Exchange	0.000	0	0.0000	0
Other	0.000	0	0.0000	0

Cash and Cash Equivalents:

All	10.210	6	9.7831	5
Total	203.258	100	213.451	100

Approximately 1.6% of the value of these Assets relates to the PCC Single Entity and 98.4% relates to the Chief Constable.

The breakdown of assets in monetary terms in the above table have been shown to the nearest £100. The additional precision in the presentation of the figures has been included because the sum of the values rounded to the nearest £1,000 will not equal the total values due to rounding.

Source: Hymans Robertson LLP

9.1.8 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. The Police Pension Scheme liabilities have been assessed by the Government Actuary Department (GAD) using their pension model. The Local Government Pension Scheme assets and liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

The principal assumptions used by the actuary have been:

	LGPS		PPS	
	2016/17	2017/18	2016/17	2017/18
Mortality Assumptions				
<u>Longevity at 65 for Current Pensioners</u>				
Men	22.1yrs	22.1yrs	23.2yrs	22.6yrs
Women	24.4yrs	24.4yrs	25.2yrs	24.2yrs
<u>Longevity at 65 for Future Pensioners</u>				
Men	24.1yrs	24.1yrs	25.2yrs	24.5yrs
Women	26.4yrs	26.4yrs	27.3yrs	26.1yrs
Rate of Inflation	2.35%pa	2.30%pa	2.35%pa	2.30%pa
Rate of Increases in Salaries	2.8%pa	2.8%pa	1.00%pa	1.00%pa
Rate of short term Increase in Salaries (to 2020)			1.00%pa	1.00%pa
Rate of Increases in Pensions	2.4%pa	2.4%pa	2.35%pa	2.30%pa
Rate for Discounting Scheme Liabilities	2.6%pa	2.7%pa	2.65%pa	2.55%pa

Take Up of Option to Convert Annual Pension into Retirement Grant:

Pre-April 2008 Service
Post-April 2008 Service

50%
75%

50%
75%

N/A
N/A

N/A
N/A

9.1.9 Sensitivity Analysis

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The tables below show the sensitivities regarding the principal assumptions used to measure the schemes liabilities.

Local Government Pension Scheme (LGPS)

LGPS Change in assumptions at 31 st March 2018	Approximate % Increase in Employer Liability	Approximate monetary amount (000's)
0.5% decrease in Real Discount Rate	12%	41,196
0.5% increase in the salary Increase rate	3%	9,091
0.5% increase in the pension Increase Rate	9%	31,348

Police Pension Scheme (PPS)

PPS Change in assumptions at 31 March	Approximate % Increase in Employer Liability	Approximate monetary amount (000's)
0.5% decrease in Real Discount Rate	(10.00)%	(209,000)
1 year increase in member life expectancy	2.50%	52,000
0.5% increase in the salary Increase rate	1.00%	24,000
0.5% increase in the pension Increase Rate	7.50%	165,000

10.1 Abbreviations

OPCC	-	Office of the Police and Crime Commissioner for Staffordshire Group
CC	-	Chief Constable
PCC	-	Police and Crime Commissioner
CIES	-	Comprehensive Income and Expenditure Statement
IAS	-	International Accounting Standard
IFRS	-	International Financial Reporting Standards
LGPS	-	Local Government Pension Scheme
GAD	-	Government Actuary Department
NPAS	-	National Police Aviation
MIRS	-	Movement in Reserves Statement
MTFO	-	Medium Term Financial Outlook
MTFP	-	Medium Term Financial Plan
ROCU	-	Regional Organised Crime Unit
PCCWM	-	Police and Crime Commissioner West Midlands
CCAOU	-	Central Counties' Air Operations Unit

10.2 Glossary of Financial Terms

Items in **bold** are described further within the glossary.

Accounting Period

The period of time covered by the OPCC accounts. Normally twelve months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, measuring and presenting **assets**, **liabilities**, gains, losses and changes to **reserves**.

Accrual

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Accruals are made for **revenue** and **capital expenditure** and income (see **debtors** and **creditors**).

Actuarial gains and losses

The changes in the net pension's **liability** that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.

Agency Services

Services that are performed by or for another authority or public body, where the agent is reimbursed for the cost of the work done.

Amortisation

The writing down of an **intangible asset** reflecting its diminution in value as its useful life expires over time.

Appropriations

Amounts transferred to or from revenue or capital reserves.

Assets

Items having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year e.g. land, buildings, plant, vehicles and equipment. Current assets can be readily converted into cash.

Audit Commission

Independent body with the responsibility of appointing **external auditors** to local authorities.

Bad (and doubtful) Debts

Debts which may be uneconomical to collect or unrecoverable.

Balance Sheet

A statement of recorded **assets** and **liabilities**, and other balances at the end of an **accounting period**.

Budget

A statement of the PCC's plans in financial terms. A budget is prepared and approved by the PCC prior to the start of each financial year.

Capital Adjustment Account

This account contains the balances previously held on the Capital Financing Account. The movements in year relate to the amount of capital expenditure financed from revenue, grants and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

Capital Expenditure

Expenditure on an acquisition or enhancement of fixed **assets**. Enhancement would include increases in value, lengthening the life of the **asset** or increasing the usage of the **asset**.

Capital Financing Requirement

An amount calculated from the value of Fixed Assets less the balances on Capital Adjustment Account. The sum represents the "underlying" need to borrow of the OPCC. The OPCC is required to make an annual provision of 4% of this amount from revenue resources to meet its debt repayment obligations. This is known as the Minimum Revenue Provision

Capital Receipt

Money received from the disposal of land and other **assets**, and from the repayment of capital grants and loans made by the OPCC.

Cash and Cash Equivalents

Cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts. CIPFA advises central government and other bodies on local government and public sector finance matters.

Code of Practice on Local Authority Accounting (UK)

Publication produced by **CIPFA** that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

Commuted Lump Sums

These are the amounts paid to officers when they retire, if they choose to have a lower pension.

Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that the plant property and equipment is accurately and fairly included in the PCC and OPCC Group's balance sheet, and that the PCC and OPCC Group's Income and Expenditure Statement properly reflects the cost of their use over their individual useful lives through depreciation charges. Authorities are required to implement this with effect from 1 April 2010 with no retrospective adjustments, although the PCC for Staffordshire started to operate component accounting during the last financial year, obtaining a full valuation of all property split down to their component parts in order to fully comply with IFRS.

Consolidated

Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration e.g. debtors.

Contingency

A sum included in the revenue budget to cover unexpected expenditure during the **accounting period**. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

Contingent Liabilities

A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control or a present obligation that arises from past events but is not recognised because either it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

Defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation and Corporate Management.

Creditors

Amounts owed by an authority for works done, goods received or services rendered before the end of an **accounting period**, but for which actual payments had not been made by the end of that accounting period.

Current Service Cost

The increase in present value of a defined benefit pension scheme's **liabilities** expected to arise from employee service in the current financial year.

Current Value

The current value of an **asset** is a measurement of the assets service potential and can be measured at:

- Existing Use Value – where an active market exists,
- Depreciated Replacement Cost– for assets where there is no market and / or the assets are specialised.

Debtors

Amounts due to an authority for works done, goods supplied or service rendered before the end of an **accounting period**, but for which actual payments had not been received by the end of that accounting period.

Deferred Liabilities

Fees Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Defined Benefit Pension 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.

Depreciation

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, the passage of time or obsolescence through either changes in technology or the demand for the service produced by the asset.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the OPCC and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

External Audit

The auditor is required to verify that all statutory and regulatory requirements have been met during the production of the OPCC accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

Fair Value

The fair value of an **asset** is the price at which assets or liability could be exchanged in an orderly transaction between market participants at the measurement date under current market conditions.

Finance Lease

A lease, which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance. Asset held under Finance Leases are recognised on the Balance Sheet as Assets.

Financial Instrument

Any contract giving rise to a financial **asset** in one entity and a financial **liability** or equity instrument in another. Examples include the treasury management activity of the OPCC, including the borrowing and lending of money and the making of investments.

Financial Regulations

A written code of procedures approved by the PCC and intended to provide a framework for the proper financial management of the Group. The financial regulations are supported by detailed financial instructions.

Fixed Assets

Tangible assets which have value to the OPCC for more than one year.

General Fund

The common name for the account which accumulates balances for all services except the **Collection Fund**.

Going Concern

The concept that the Group will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Group Financial Statements

Where the OPCC has an interest in another organisation (e.g. a **subsidiary** organisation) group accounts have to be produced. These accounts report the financial position of the OPCC and all organisations in which it has an interest.

Historical Cost

This represents the original cost of acquisition, construction or purchase of a fixed **asset**.

IAS19

The objective of International Accounting Standard (IAS) 19, *Accounting for Retirement Benefits in Financial Statements of Employers* is to prescribe the accounting and Disclosure for employee

benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the

cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

Impairment

A reduction in the value of a fixed **asset**, resulting from financial loss, damage or obsolescence. In order to comply with accounting standards, the OPCC undertakes annual reviews of its assets to identify any that are impaired.

Intangible Assets

Assets that do not have physical substance but are identifiable and controlled by the OPCC through custom or legal rights.

International Financial Reporting Standards

International Financial Reporting Standards are standards and interpretations adopted by the International Accounting Standards Board (IASB). Many of the standards forming part of the IFRS were previously known as International Accounting Standards.

Joint Ventures

An organisation in which the OPCC is involved where decisions require the consent of all participants.

Liability

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources

Current asset investments that are readily disposable by the Group without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

Medium Term Financial Plan (MTFP)

A plan detailing projected expenditure and available resources over a period of more than one year. The OPCC MTFP currently covers three years.

Minimum Revenue Provision

The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on 4% of the Capital Financing Requirement

National Non-Domestic Rates

The means by which local businesses contribute to the cost of providing local authority services. All Non-Domestic Rates are paid into a central pool and then divided between all authorities depending on the number of residents each authority has.

Net Revenue Expenditure

This represents the OPCC budget requirement and use of **reserves**.

Non Distributed Costs

This is where overheads are not charged or apportioned to activities within the service expenditure analysis in the OPCC and OPC Group's Comprehensive Income and Expenditure Statement.

Non-Cancellable Lease

A lease that is cancellable only:

- Upon the occurrence of some remote contingency.
- With the permission on the lessor.
- If the lessee enters into a new lease for the same or an equivalent asset with the same lessor
- Upon payment by the lessee of such an additional amount that, at the inception of the lease, continuation of the lease is reasonably certain.

Outturn

Actual income and expenditure in an **accounting period**.

Past Service Cost

The increase in **liabilities** arising from current year decisions whose effect relates to years of service earned in earlier years.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precepts

The method by which the OPCC obtains the income it requires from the Council Tax via the appropriate authorities

Prior Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

Provision

An amount set aside to cover a **liability** that will almost certainly occur, but where the amounts or dates on which the cost will arise are uncertain.

Prudential Code

The Prudential Code ensures, within a clear framework, that the capital investment plans of the OPCC are affordable, prudent and sustainable.

Public Works Loans Board (PWLB)

A Government agency which provides loans, for terms of one year and above, to local authorities. The interest rates applied are only slightly higher than those at which the Government can borrow.

Relevant Police Officer

The Chief Constable (England and Wales) and Commissioners of the Metropolitan or City of London Police (England). Any other senior police officer whose salary is £150,000 per year or more.

Remuneration

All amounts paid to or receivable by a person, 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 (e.g. benefits in kind).

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and **provisions** which are set up to meet known liabilities.

Residual Value

The net realisable value of an **asset** at the end of its useful life.

Revaluation Reserve

This represents the non-distributable increase/decrease in the valuation of fixed **assets**.

Revenue Expenditure

Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

Revenue Expenditure Funded From Capital under Statute (REFCUS)

This is expenditure that can be deemed capital expenditure under Statute but does not result in an **asset** for the OPCC. Such expenditure is written off to the Income and Expenditure Account in the year it is incurred.

Revenue Support Grant (RSG)

Government financial support to aid local authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

Service Reporting Code of Practice

Published by **CIPFA** the Service Reporting Code of Practice establishes "proper practice" with regard to consistent financial reporting to enhance the comparability of local authority financial information and is given statutory force in England by regulations under the Local Government Act 2011.

Senior Employee

A senior employee is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

- (a) The designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989 ;
or
- (b) The head of staff for a relevant body which does not have a designated head of paid service

Single Entity Financial Statements

The main financial statements for the OPCC as shown in section 3.

Specific Grant

Government financial support for a specific purpose or service that cannot be spent on anything else.

Work in Progress

Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.