



STAFFORDSHIRE
POLICE

2018/19

Staffordshire Police Statement of Accounts



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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 to deliver on the priorities set out in the Policing Plan. Underpinning this is the dedication and determination of police officers and staff, PCSO's, and Specials across the Force who are committed to improving service to the people of Staffordshire.

This is against a backdrop of the Force receiving more calls for service than ever, many of which are increasingly complex requiring more time and resources to resolve, coupled with sustained financial pressure. Over the past year the Force has made tough decisions on spending and funding to manage our resources as best as possible. However, I have been clear publically over the last year that this position is increasingly difficult to maintain.

I therefore welcome the decision taken by the Staffordshire Commissioner to raise the precept by the maximum amount permissible for 2019/20. This increase, coupled with the Force's ongoing transformation programme, which includes the implementation of a new operating model, will allow for investment, albeit modest amounts, to enhance policing capabilities. During 2018/19 we saw the first increase in warranted police officer numbers in Staffordshire since 2010, with numbers due to increase further in the coming year.

It has been particularly pleasing to see Her Majesty's Inspectorate of Constabulary, Fire & Rescue Services (HMICFRS) recognising the work the Force has done around the wider efficiency agenda through its published Value for Money profiles. The Force is seventh lowest funded per head of population in the country but manages to achieve the fourth highest level of visibility, has the fourth lowest spend on 'back office' functions in the country and the fourth lowest sickness rate of any Police force in England and Wales.

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 and precept increase will enable the force to provide the necessary focus and resource to local policing, investigations and emergency response. This coupled with significant capital investment in digital infrastructure places the Force in a strong position to deliver sustained service improvements.

The Force's 10-year strategic IT partnership with Boeing continues to modernise the outdated IT and enable officers to work more effectively, with a new records management system being approved during 2018/19 to improve the way information is recorded, accessed and shared. Alongside this, work has begun to create a dedicated Knowledge Hub which will transform the Force's analytical capability, enabling it to recognise crime trends and patterns more swiftly, bringing together intelligence and information that will support officers across the force. This will facilitate greater self-service, enabling officers to access information more quickly, requiring fewer resources than before.

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 over the life of the Medium Term Financial Strategy.

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

These changes – I anticipate - will significantly improve service delivery and outcomes for the people of Staffordshire. There is a lot to achieve and whilst I, alongside other police chiefs, will continue to press government to revisit and prioritise police funding in the upcoming Spending Review, 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 (Section 151 Officer)

Purpose of Statements

The purpose of the Narrative Statement is to provide the reader with a broad understanding of the Force's financial performance for the year ended 31st March 2019, by clearly explaining the Force's funding position, and how this funding is spent in order to deliver the Force's priorities. Within this is the context of the group position (Force and Police and Crime Commissioner) in which the Force sits. In addition, the narrative statement also provides further information to the reader about economy, efficiency and the effective use of resources by the Force during the financial year. It also looks to the future and considers some challenges faced by the Force.

Group Position

The Force constitutes the largest share of the overall Police and Crime group, with the overall group net revenue budget for 2018/19 being £183.448m. Of this the Force had a net revenue budget in 2018/19 of £168.610m, with the Police and Crime Commissioner holding a budget of £14.838m. This equates to a budget in Staffordshire of £150 per person spent on Policing with the Commissioner's Office having an annual spend of £13 per person.

The wider Force and OPCC has a reported underspend of £1.204m against its budget of £183.448m, equating to an underspend of 0.65%. 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. It is the first time in number of years that the group has not relied on using reserves at year end, and instead makes a welcome contribution to reserves.

Reserves are held to mitigate against the inherent risk in a demand led public service such as Policing. Reserves therefore provide a buffer against unexpected events, changes in funding assumptions in year as well as providing the ability to undertake internal borrowing (in lieu of external borrowing which incurs interest). In a year where we have seen an unprecedented second section 114 notice issued by Northamptonshire County Council, the group finds itself being able to strengthen this element of the group balance sheet.

Force Position

In my first full year in the role the Force has made significant improvements in its financial performance with significant improvement in the availability and quality of financial data, as well as advice given to decision makers. These significant improvements have been recognised by our internal auditors, the Chief Constable, the Staffordshire Commissioner as well as the Ethics, Transparency and Audit Panel (ETAP). We will continue to improve the quality of our finance and commercial offer to the organisation, ensuring that tax payers money is spent in the most efficient, economical and effective manner to deliver the best Policing outcomes from the resource we have available.

For revenue spend the Force has seen underspends in its pay budgets and supplies and services budgets, offset by budgetary pressures within contracted spend from the strategic IT partnership. Officer numbers have increased in line with those outlined by the commissioner when setting his Policing Precept for 2018/19. The Force has also received more income than forecast, from both public and non-public bodies. The Force has also made significant use of capital receipts to fund one off transformation costs under the flexible use of capital receipts directive.

The Force has also had a significant capital programme during 2018/19 mainly linked to the new core policing platform which is due to be fully implemented during 2019/20. Over the coming years the Force will see its capital programme constrained by the availability of funding, necessitating greater prioritisation over spend and investment. To partially offset this, the Force and Staffordshire Commissioner will continue to dispose of surplus property assets to realise capital receipts for reinvestment.

Value for Money

It is also welcome to see the recent Value for Money (VFM) profiles published by HMIC demonstrating that Staffordshire Police is one of the most efficient Force's across England and Wales. A significant achievement for the Force and one that all Officers, PCSO's and staff should be proud of.

In relation to Value for Money the Force can demonstrate, from independently produced data, that it is the 4th most visible Force in the country, has the 4th lowest spend on 'back office' functions, the lowest number of Police Officers in non-public facing support function roles all whilst being the 7th lowest funded Force (per person) in England and Wales.

Future Financial Outlook

Whilst the Force has a significant change programme for 2019/20, requiring the delivery of c.£5.5m of cash releasing savings, a number of these savings have been delivered early in 2018/19. This early delivery puts the Force on the 'front foot' in terms of meeting this challenge. These savings have been delivered against a backdrop of the Force increasing Police Officer numbers, a trend that will continue into 2019/20.

The Force will see over the next 4 years capital funding become increasingly restrained, at a time when the Force requires significant investment on its Digital capabilities. This is an issue facing all Forces as crime becomes increasingly digital, so does the response required. The response to this challenge will necessitate further collaboration at both regional and national level but ultimately decisions around capital investment will become more challenging than has been the historical norm.

Challenges and opportunities for the coming year are varied; ranging from the upcoming comprehensive spending review, the withdrawal of the United Kingdom from the European Union, national legal challenges to the changes to public sector pension schemes as well as more local events such as the continued impact of financial restraint on local partner organisations.

Basis of Preparation

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 2018/19.

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 (Section 151 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
- 1.2.6 Basis of preparation

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 Staffordshire Commissioner (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.

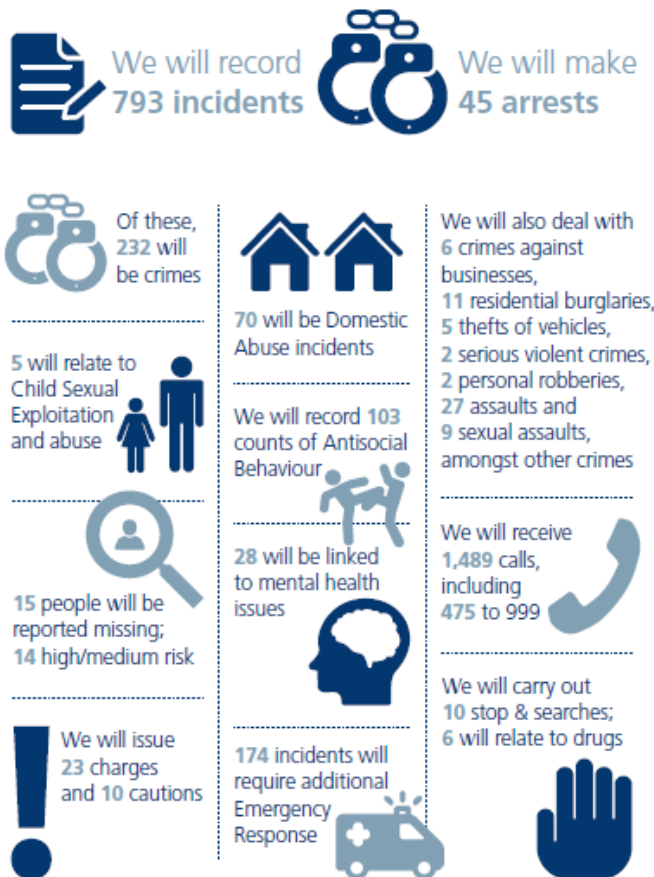
Staffordshire covers more than 2,600 ¹ square kilometres reaching from the Peak District National Park in the north to the West Midlands conurbation border in the south. The people of Staffordshire live within diverse communities, ranging from the sparsely populated area of the Moorlands to densely populated 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



1. Source: Staffordshire Observatory and Stoke-on-Trent Council
 2. Source: Staffordshire Police human resources stock take report 31.03.19

The infographic below is intended to provide a snapshot of the demand faced by the Force;

On a typical day in Staffordshire...



People

At the end of the financial year, Staffordshire Police employed 2,912 full time equivalent staff, consisting of 1,570 police officers, 225 police community support officers (PCSO's) and 1,117 police staff. The force is also supported by 225 volunteer Special Constables, who give up their own time to provide an enhanced service to Staffordshire communities.²

The Force has a strong track record, and continues to support and invest into the Learning and Development of its people as well as importantly focussing upon their welfare and wellbeing.

During the year, the Force launched the Our People First Strategy which will help build a modern and transformed police service, being an exceptional place to work that will in turn enable the Force to deliver a better service to the people of Staffordshire.

Policing Plan

The force's Policing Plan sets out five key priorities that provide a clear focus for the force around the areas which matter most to the people of Staffordshire. At the heart of Policing Plan is the force's public service charter which sets out our commitment to local communities; to be there when we are needed, to put the public first and to work together with communities and partners as one team.

² Source: Staffordshire Police human resources stock take report 31.03.19.



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 rank. Local police officers and PCSO's work together within these teams providing a localised neighbourhood services to the local community enhanced by volunteer Police special constables. LPTs are supported by specialist central departments consisting of: Contact and Response (based in 3 hubs), 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>

1.2.3 Financial Performance

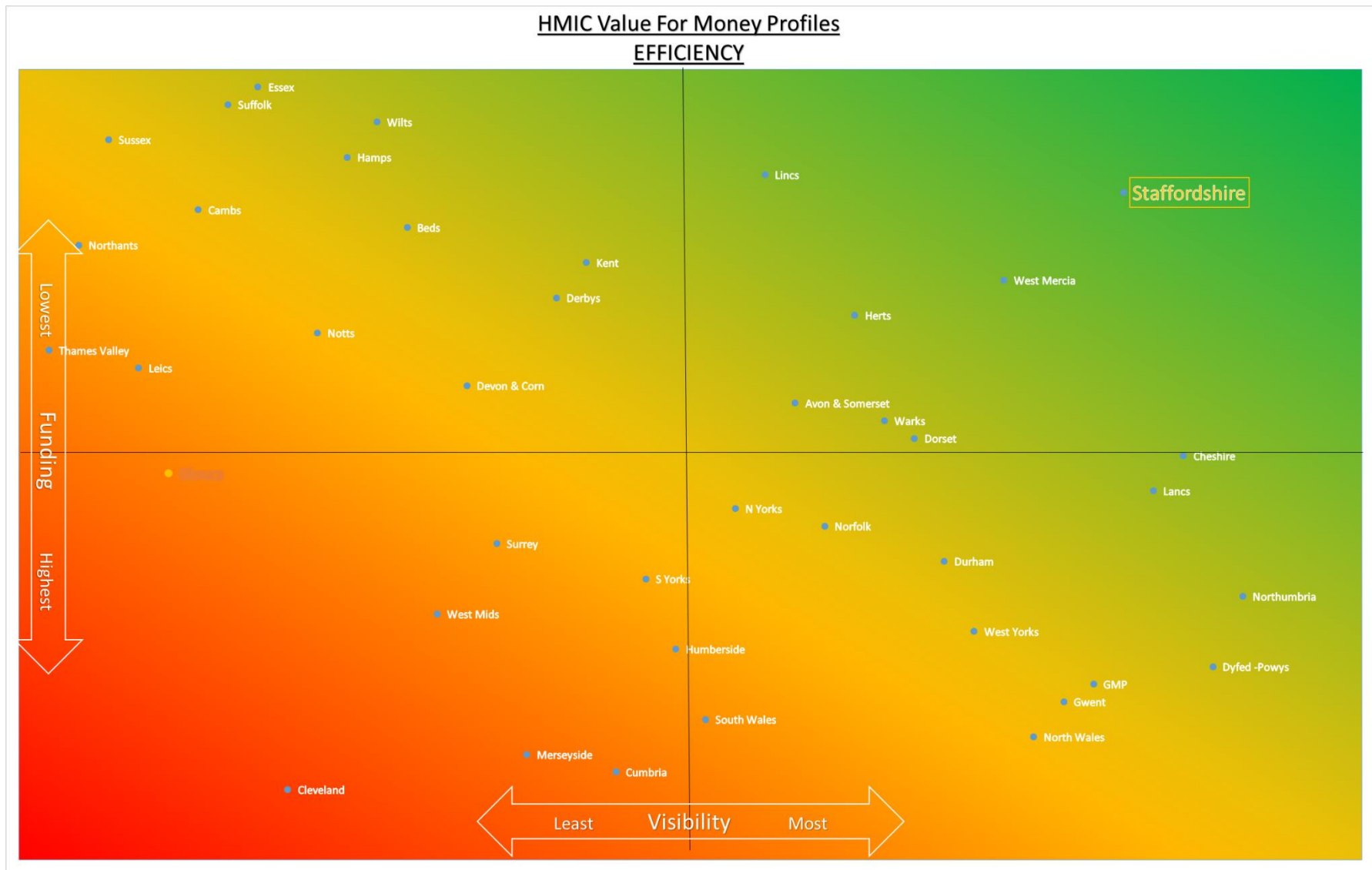
Performance Overview

The wider Force and OPCC has a reported underspend of £1.2m against its budget of £182.2m, equating to an underspend of 0.65%. 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. This underspend will be added to the groups general fund reserve, allowing for greater medium term resilience to offset some of the significant risks inherent in Policing. Major variances have arisen in the following areas:

- An underspend on staffing pay budgets, in part due to Proactive vacancy management of posts within the scope of future transformation activity
- An underspend on supplies and service due to effective internal controls on non-pay spend
- An underspend on capital financing costs due to revising the minimum revenue provision policy
- The use of capital receipts available to fund one off transformation costs
- Increases in costs in relation to the Strategic IT Partnership and Estates spend

Efficiency

The Force has continued to transform the way it works, maximising the value to the taxpayer whilst delivering an effective Policing Service. In terms of budget, the Force received £150 per person in Staffordshire during 2018/19 with the Staffordshire Commissioners Office retaining £13 per person. The most recent Value for Money profiles published by Her Majesty's Inspectorate of Constabulary show that the Force is the 7th lowest funded in the country per person, but has managed to achieve the 4th highest frontline visibility across all 43 Forces in England and Wales. The general correlation is that increased funding leads to increased visibility. The graphic below shows Staffordshire's relative position compared to other Forces:



Source: HMIC Value for Money profiles

In terms of 'Value for Money' the HMIC VFM profiles show that:

- 4th lowest spend on business support functions per person
- 4th highest visible operational front line
- The lowest number of warranted Police Officers in support roles – warranted Officers are on the 'front line'

During 2019/20 the Force has committed to delivering c.£5.5m of savings. These savings, combined with the increase in the policing precept, will allow the Force to continue investing in increasing the number of warranted police officers and invest in the five areas highlighted by the Force where additional capacity is required:

1. A dedicated missing persons investigation team
2. A dedicated Roads Policing unit
3. Digital and cyber investigations
4. A disruptions team focussed on serious and organised crime
5. Enhanced data analytics software

Within the Forces savings programme over the next 4 years are significant savings plans linked to collaboration arising from the change in governance that occurred during 2018/19 in relation to the Staffordshire Fire and Rescue Service, bringing Fire governance under the Staffordshire Commissioner. Given the real terms reduction of 32.1% (22.8% in cash terms) between 2010/11 and 2018/19 in central government funding for Policing in Staffordshire the Forces ability to continue to deliver efficiency savings will become relatively more difficult than they have up to this point.

Balance Sheet (Section 3)

Below is a snapshot of the Chief Constables 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 2019 the Chief Constable balance sheet had negative assets of £2.174 Billion the reason for his 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 st March 2018 £000		31 st March 2019 £000	
0	Long Term Assets	0	
4,789	Current Assets	4,827	
(6,073)	Current Liabilities	(8,658)	
(1,992,203)	Long Term Liabilities	(2,170,335)	
(1,993,487)	Net Liabilities	(2,174,166)	
0	Usable Reserves	0	
1,993,487	Unusable Reserves	2,174,166	
1,993,487	Total Reserves	2,174,166	

Pension Liability (Section 7)

Accounting standards require the full cost of pension benefits as they are earned to be reported in the accounts. Members of staff and Officers 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 Section 7 details the cash flows during the year relating to that scheme. This scheme is unfunded (i.e. it has no funds invested in order to meet its liabilities). Contributions to the

scheme at the rate of 21.3% of pay for current officers are funded from the current revenue budget which includes council tax funding. The cost of pension payments to pensioners is largely met from the Home Office top up grant and is therefore not funded by Council Tax. The assessed liability overall of Staffordshire in the Police Pension Scheme as at 31st March 2019 was £2.014Bn (£1.870Bn 2017/18).

Staff working for Staffordshire Police and the OPCC and PCSOs are eligible to be members of the Local Government Pension Scheme (LGPS) which is administered by Staffordshire County Council and is a funded scheme: this means that it has assets which it purchases with contributions from current employees and it uses those assets to fund the liabilities today and in the future of existing and future pensioners. The current contribution rate for employees is 15.5% of pay, and this is met from the current revenue budget which includes council tax funds. The assessed liability overall of Staffordshire in the LGPS as at 31st March 2019 was £156m (£122m 2017/18).

Following the recent three year “triennial” review of the Local Government Pension Scheme (LGPS), the actuary, Hymans Robertson, proposed that a further deficit repair payments was required for the three year period to 2019/20 in order for the employer contribution rates to remain unchanged. The authority’s agreed to make an upfront payment of £3.675m as a lump sum and receive a favorable discount rate offered by the actuary.

The impact of this requirement on the accounts is significant with the total balance sheet liability for pensions amounting to £2.168Bn. The amounts included within the balance sheet reflects an estimate of the total pension liability and incorporates a number of assumptions that change over time. This liability does not affect the Authority’s ability to continue as a going concern as it refers to future liabilities that will be met by future contributions.

The Pension Reserve has increased at 31st March 2019 primarily due to the actuarial gains arising from changes in the financial assumptions. The discount rate is based on corporate bonds yields, these have increased during the year whereas in 2017/18 the rate was slightly lower.

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 2018/19

The picture in terms of non-financial performance is one of an increasing demand for our service such as the longer term trend of a 14% increase in 999 calls. The nature of crime continues to evolve and is varied across different localities within Staffordshire

However, incidents are down by 2% and 729 fewer crimes were committed over the last 12 months, with Staffordshire seeing a longer term trend of a 13% reduction in residential burglary.

Independent surveys show that overall public satisfaction has remained broadly stable over the last 12 months.

Over the last 12 months the Force has delivered on changes to the operating model that include:

- Introduction of more efficient and effective force governance arrangements;
- The formation of a new directorate based 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;

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 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.

- More consistent and efficient delivery of business support functions in partnership with other agencies e.g. Staffordshire Fire and Rescue Service;
- The continual implementation and enhancement of the 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 & professionalism, supporting development & sharing what works.

Further information

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

1.2.6 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 2018/19 (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 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 2019 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 7.3.9; 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 2018/19.

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 2019 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 2018/19.

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 Staffordshire 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 and s.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 s.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 2018/19 on pages 1 to 13, other than the financial statements and our auditor's report thereon. The Chief Financial Officer and s.151 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 2019.

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 s.151

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 17, the Chief Financial Officer and s.151 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer and s.151 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 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 2019.

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 for Staffordshire 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

31st July 2019

2.2 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 2018/19.

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 2019 and its income and expenditure for the year ended 31st March 2019.

X

John Bloomer
Chief Finance Officer
Staffordshire Police

Section 3
Chief Constable Financial Statements

3.1 Comprehensive Income and Expenditure Statement (CIES)

This Statement reflects the resource of the Office of the Staffordshire Commissioner (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.

2017/18 Net Expenditure £000		Notes	2018/19 Net Expenditure £000
(5,380)	Grants & Contributions		(7,650)
(4,087)	Reimbursements		(4,473)
(1,661)	Sales, Fees & Charges		(1,056)
(93)	Other Income		(213)
(11,221)	Total Income		(13,392)
63,500	Police Officer Pay and Allowances		61,104
59,004	Police Staff Pay and Allowances		59,087
5,113	Other Employee Expenses		3,587
4,789	Police Pensions		5,172
4,134	Premises		4,171
3,135	Transport		3,508
16,533	Supplies and Services		13,797
14,235	Agency and Contracted Services		16,940
6,701	Depreciation, Amortisation and Impairment		7,612
2,487	Non Distributed Costs		99,770
179,631	Total Expenditure		274,748
168,410	Cost of Services Before Intra-group Funding		261,356
(185,586)	Intra-group Funding	5.1.1	(181,957)
(17,176)	Total Cost of Services		79,399
62,003	Financing and Investment Income and Expenditure	5.1.2	57,360
(41,431)	Grant Received From Home Office in respect of the pension fund account	7.1	(41,459)
3,396	(Surplus) or deficit on Provision of Services		95,300
(143,455)	Re-measurement of the net defined benefit liabilities	7.3.2	85,380
(143,455)	Other Comprehensive (Income) and Expenditure		85,380
(140,059)	Total Comprehensive (Income and Expenditure)		180,680

3.2 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.

	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balances as at 1 st April 2017	0	0	(2,133,546)	(2,133,546)
Movement in reserves during 17/18				
Total Comprehensive Income and Expenditure (<i>Note 3.1</i>)	(3,396)	(3,396)	143,455	140,059
Adjustment between accounting basis and funding basis under regulations (<i>Note 5.2.1</i>)	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
Increase or (Decrease) in 2017/18	0	0	140,059	140,059
Balance at 31st March 2018	0	0	(1,993,487)	(1,993,487)
Balance as at 1st April 2018	0	0	(1,993,487)	(1,993,487)
Movement in reserves during 18/19				
Total Comprehensive Income and Expenditure (<i>Note 3.1</i>)	(95,300)	(95,300)	(85,380)	(180,680)
Adjustment between accounting basis and funding basis under regulations (<i>Note 5.2.1</i>)	95,300	95,300	(95,300)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	0	0	(180,680)	(180,680)
Transfers to/from Earmarked Reserves	0	0	0	0
Increase or (Decrease) in 2018/19	0	0	(180,680)	(180,680)
Balance at 31st March 2019	0	0	(2,174,167)	(2,174,167)
(Note 3.3)				

3.3 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 st March 2018 £000		Notes	31 st March 2019 £000
0	Long Term Assets		0
4,789	Short Term Debtors	5.3.1	4,827
4,789	Current Assets		4,827
(6,073)	Short Term Creditors	5.3.2	(8,658)
(6,073)	Current Liabilities		(8,658)
(2,073)	Provisions	5.3.3	(1,738)
(1,990,130)	Liability Related to Defined Benefit Pension Schemes	7.3.4	(2,168,597)
(1,992,203)	Long Term Liabilities		(2,170,335)
(1,993,487)	Net Liabilities		(2,174,166)
	Financed by:		
0	Usable Reserves		0
1,993,487	Unusable Reserves	5.2.2	2,174,166
1,993,487	Total Reserves		2,174,166

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 2018/19. 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.

2017/18 £000		Notes	2018/19 £000
3,396	Net (surplus) or deficit on the provision of services	3.1	95,300
(3,396)	Adjustment to net (surplus) or deficit on the provision of services for non-cash movements	5.4.1	(95,300)
0	Adjustment 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

Section 4 Expenditure and Funding Analysis

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 4 and the movements in reserves are shown in section 5.

4.1 Expenditure and Funding Analysis (EFA)

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.

2017/18				2018/19		
Net Expenditure charged to General Fund	Adjustments between Funding Basis and IFRS Basis	Net Expenditure in the CIES		Net Expenditure charged to General Fund	Adjustments between Funding Basis and IFRS Basis	Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
90,304	(26,804)	63,500	Police Officer Pay and Allowances	89,173	(28,069)	61,104
51,713	7,291	59,004	Police Staff Pay and Allowances	51,724	7,363	59,087
5,113	0	5,113	Other Employee Expenses	3,587	0	3,587
4,789	0	4,789	Police Pensions	5,172	0	5,172
4,134	0	4,134	Premises	4,171	0	4,171
3,135	0	3,135	Transport	3,508	0	3,508
16,533	0	16,533	Supplies and Services	13,797	0	13,797
14,235	0	14,235	Agency and Contracted Services	16,940	0	16,940
0	6,701	6,701	Depreciation and Impairment	0	7,612	7,612
151	2,336	2,487	Non Distributed Costs	(335)	100,105	99,770
190,107	(10,476)	179,631	Expenditure	187,737	87,011	274,748
(5,380)	0	(5,380)	Grants and Contributions	(7,650)	0	(7,650)
(4,087)	0	(4,087)	Reimbursements	(4,473)	0	(4,473)
(1,661)	0	(1,661)	Sales, Fees and Charges	(1,056)	0	(1,056)
(93)	0	(93)	Other Income	(213)	0	(213)
(178,886)	(6,700)	(185,586)	Intra-group funding	(174,345)	(7,612)	(181,957)
0	(17,176)	(17,176)	Net Cost of Services	0	79,399	79,399
0	0	0	(Surplus)/ Deficit on disposal of assets	0	0	0
0	62,003	62,003	Financing and Investment Income and Expenditure	0	57,360	57,360
0	(41,431)	(41,431)	Taxation and Non-Specific Grant Income	0	(41,459)	(41,459)
0	3,396	3,396	(Surplus) or Deficit on Provision of Services	0	95,300	95,300
0	0	0	(Surplus) or Deficit on revaluation of non-current assets	0	0	0
0	(143,455)	(143,455)	Re-measurement of the net defined benefit liabilities	0	85,380	85,380
0	0	0	Transfers To/(From) Earmarked Reserves	0	0	0
0	(140,059)	(140,059)	Net (Surplus)/Deficit Funded from General Fund	0	180,680	180,680

4.1.1 Analysis of EFA adjustments

2018/19 Adjustments from General Fund to arrive at CIES

2017/18				2018/19		
Total £000	Other £000	Pensions £000		Pensions £000	Other £000	Total £000
26,803	393	26,410	Police Officer Pay and Allowances	28,010	59	28,069
(7,291)	53	(7,344)	Police Staff Pay and Allowances	(7,030)	(333)	(7,363)
(2,336)	0	(2,336)	Non Distributed Costs	(100,105)	0	(100,105)
17,176	446	16,730	Net Cost of Services	(79,125)	(274)	(79,399)
41,431	0	41,431	Grants & Contributions	41,459	0	41,459
(62,003)	0	(62,003)	Other Income and Expenditure	(57,360)	0	(57,360)
(3,396)	446	(3,842)	CIES Surplus or Deficit on the Provision	(95,026)	(274)	(95,300)

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).

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

5.1 Comprehensive income and expenditure statements (CIES) notes

- 5.1.1 Intra-Group Funding Arrangements between the PCC and CC
- 5.1.2 Financing and Investment Net Expenditure
- 5.1.3 Specific Grants
- 5.1.4 Taxation and Non-Specific Grant Income
- 5.1.5 Audit Fees
- 5.1.6 Material Items of Income and Expenditure

5.2 Movement in reserves (MIRS) notes

- 5.2.1 Adjustment between IFRS Basis and Funding Basis
- 5.2.2 Unusable Reserves

5.3 Balance sheet notes

- 5.3.1 Short Term Debtors
- 5.3.2 Short Term Creditors
- 5.3.3 Provisions

5.4 Cash flow notes

- 5.4.1 Operating Activities

5.5 Other notes

- 5.5.1 Termination Benefits and Exit Packages
- 5.5.2 Officers Remuneration
- 5.5.3 Disclosure of Remuneration for Senior Executives
- 5.5.4 Related Party Transactions
- 5.5.5 Pooled Budgets and Joint Operations
- 5.5.6 Contingent Liabilities
- 5.5.7 Events after Balance Sheet date

2017/18		2018/19
£000		£000
15	External Audit Fees	15
11	Additional External Audit Fees PSAA Approved	2
26	Total Audit Fees	17

5.1.6 Material Items of Income and Expenditure

There are no material items of Income or Expenditure in 2018/19 that require specific disclosure.

5.2 Movement In Reserves (MIRS) Notes

5.2.1 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.

2018/19	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>		
Pension Costs (transferred to or from pension reserve)	(95,026)	95,026
Holiday pay (transfer to the Accumulated Absences Account)	(274)	274
Total Chief Constable Adjustments	95,300	(95,300)

2017/18	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>		
Pension Costs (transferred to or from pension reserve)	3,842	(3,842)
Holiday pay (transfer to the Accumulated Absences Account)	(446)	446
Total Chief Constable Adjustments	3,396	(3,396)

5.2.2 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.

	Balances as at 1 st April	Transfer Out	Transfer In	Balance as at 31 st March
	£000	£000	£000	£000
Accumulated Absences	(3,357)	(274)	0	(3,631)
Pension Reserve	(1,990,130)	(180,406)	0	(2,170,536)
Total	(1,993,487)	(180,680)	0	(2,174,167)

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 2018 and 31st March 2019.

2017/18		2018/19	
£000	£000	£000	£000
(3,803)	Balance as at 1st April		(3,357)
3,803	Settlement or Cancellation of Accrual made at the End	3,357	
<u>(3,357)</u>	Amounts Accrued at the End of the Current Year	<u>(3,631)</u>	
446	Amount by which Officer Remuneration Charged to the CIES on Accrual Basis is Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements.		(274)
<u>(3,357)</u>	Balance as at 31st March		<u>(3,631)</u>

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.

2017/18		2018/19
£000		£000
(2,129,743)	Balance as at 1st April	(1,990,130)
143,455	Re-measurement of the net defined benefit liability	(85,380)
(120,446)	Reversal of Items Relating to Retirement Benefits Debited or Credited to CIES	(213,264)
75,173	Employers Pensions Contribution and Direct Payments to Pensioners Payable in the Year	78,717
0	LGPS deficit contribution prepayment 1 years	(1,938)
41,431	Additional Contribution to the Pension Fund Balance the Deficit on the Fund Account	41,459
(1,990,130)	Balance as at 31st March	(2,170,536)

5.3 Balance Sheet Notes

5.3.1 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 £1,738m in 2018/19 (£2,072m in 2017/18) and the PAYE / NI and Pension Tax creditor £3,089m (£2,716m in 2017/18) 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 2019 and an equal and opposite entry is included within Creditors in the PCC's Single Entity Accounts.

2017/18 £000		2018/19 £000
4,789	Intra-Group Funding not yet paid over from the PCC in cash	4,827
4,789	Total Debtors	4,827

5.3.2 Creditors

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

2017/18 £000		2018/19 £000
2,716	Central Government Bodies	3,089
0	Other Local Authorities	1,938
3,357	Other Entities and Individuals	3,631
6,073	Total Creditors	8,658

5.3.3 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.

2017/18 £000		2018/19 £000
1,921	Balance as at 1 st April	2,073
785	Contribution to provision in year	505
(633)	Net Expenditure in year	(840)
2,073	Balance as at 31st March	1,738

5.4 Cash Flow Notes

5.4.1 Operating Activities

2017/18 £000		2018/19 £000
431	(Increase)/ decrease in revenue creditors	(2,585)
167	Increase/ (decrease) in revenue debtors	38
(3,842)	Movement in pension liability	(93,088)
(152)	Movement in provisions	335
(3,396)	Adjustment to net (surplus) or deficit on the provision of services for non-cash movements	(95,300)

5.5 Other Notes

5.5.1 Termination Benefits and Exit Packages

During 2018/19 the CC approved 6 voluntary redundancies and early retirements (21 in 2017/18) at a total cost of £0.141m (£0.597m in 2017/18).

Exit Package Cost Band	Number of exit packages		Total cost of exit packages in	
	2017/18	2018/19	2017/18 £	2018/19 £
£0- £20,000	4	2	48,877	29,413
£20,001 - £40,000	16	4	463,939	111,168
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	1	0	84,527	0
Total	21	6	597,342	140,581

5.5.2 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:

2017/18 Number of employees	Remuneration Band	2018/19 Number of employees
126	£50,000 - £54,999	122
42	£55,000 - £59,999	68
17	£60,000 - £64,999	12
4	£65,000 - £69,999	7
5	£70,000 - £74,999	3
5	£75,000 - £79,999	2
3	£80,000 - £84,999	5
1	£85,000 - £89,999	3
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
1	£100,000 - £104,999	0
1	£105,000 - £109,999	1
0	£110,000 - £114,999	1
1	£115,000 - £119,999	0
1	£120,000 - £124,999	1
0	£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	0
0	£150,000 - £154,999	1
207	Total	226

5.5.3 Disclosure of Remuneration for Senior Executives

2018/19								
Post Holder Information								
	Notes	£ Salary	£ Bonuses and Allowances	£ Benefits in Kind (BIK)	£ Other Payments	£ Total Remuneration Excluding Pension Contribution	£ Pension Contribution	£ Total Remuneration
Senior Executives of the Chief Constable								
Chief Constable (A)	1	147,923	0	0	3,066	150,990	18,271	169,261
Deputy Chief Constable	1	122,031	0	0	2,635	124,666	0	124,666
Assistant Chief Constable (A)	1,2	43,912	0	0	914	44,826	8,217	53,043
Assistant Chief Constable (B)	1	110,428	0	0	2,635	113,062	23,521	136,583
Assistant Chief Constable (C)	1,3	58,072	0	0	1,522	59,594	12,369	71,963
Director of People and Resources		106,225	0	0	0	106,225	16,465	122,690
Chief Finance Officer		69,476	0	0	0	69,476	0	69,476
Total Chief Constable		658,066	0	0	10,772	668,838	78,844	747,682

1. Other Payments represent Housing Allowance.
2. Assistant Chief Constable (A) left the post on 5th August 2018.
3. Assistant Chief Constable C appointed on 3rd September 2018.

Post Holder Information

	Notes	£ Salary	£ Bonuses and Allowances	£ Benefits in Kind (BIK)	£ 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	4	1,626	0	0	0	1,626	0	1,626
Total Chief Constable		528,562	0	11,938	11,073	551,572	78,315	629,888

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.
2. Other Payments represent Housing Allowance.
3. Benefit in Kind represents private use of a Force vehicle.
4. Assistant Chief Constable from 1st August 2016.

5.5.4 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 Staffordshire Commissioner (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.

5.5.5 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 2018/19 amounted to £209k (2017/18 £344k).

Central Motorway Police Group with West Midlands Police

The Police and Crime Commissioner for the West Midlands (PCCWM) is engaged in a jointly controlled operation with Staffordshire 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 two police forces have an agreement in place for funding this unit with contributions to the agreed budget of 70% from PCCWM and 30% 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 2018/19 are as follows:

2017/18 £000		2018/19 £000
	Contributions to the Pooled Budget	
(3,910)	West Midlands PCC	(4,274)
(1,961)	West Mercia PCC	0
(1,847)	Staffordshire PCC	(1,938)
(85)	Other Income	0
(7,803)	Total Income	(6,212)
	Expenditure met from Pooled Budget	
7,195	Pay and Allowances	5,737
52	Premises Cost	0
402	Transport Costs	407
154	Supplies and Services and Communications and Computing	68
7,803	Total Expenditure	6,212
0	Net Surplus/(Deficit) arising during the year	0
0	Staffordshire PCC share (30%) 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.

2017/18 £000		2018/19 £000
	Funding provided to West Midlands ROCU	
(11,787)	Contribution from West Midlands Police	(13,475)
(3,619)	Contribution from West Mercia Police	(3,789)
(3,515)	Contribution from Staffordshire Police	(3,681)
(1,758)	Contribution from Warwickshire Police	(1,840)
(2,399)	WMROCU Grant	(2,399)
(270)	National Cyber Security Programme funding	(270)
(155)	Regional Asset Recovery Team Grant	(165)
(135)	ROCU Reserves	(532)
(1,000)	Additional Home Office funding	(625)
0	PTF Funding	(1,784)
(24,638)	Total Income	(28,560)
	WM ROCU Expenditure	
1,138	Regional Asset Recovery Team (RART)	1,056
155	RART- ACE team	165
678	Regional Cyber Crime Unit	645
248	Regional Fraud Team	315
999	Regional Prisons Intelligence Unit	927
968	UKPPS (Protected Persons)	943
18	Operational Security (OPSY)	56
34	Regional Government Agency Intelligence Network	46
1,378	Command Team	1,181
4,903	Regional Confidential Unit	5,484
813	TIDU- Technical Intelligence	716
108	Enabling Services	180
3,954	SOCU	4,473
6,970	Regional Surveillance Unit (FSU)	7,850
1,274	Other Regional Operations	3,165
1,000	Additional Contribution to Reserves	625
0	ROCTA	259
0	Disruption	474
24,638	Total Expenditure	28,560
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 2018/19 £2,957,308 (2017/18 £2,644,503).

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 2018/19 a contribution of £0.170m (£0.119m in 2017/18) 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 £0.156m has been made by West Midlands Police towards the cost of the service during 2018/19 (£0.174m in 2017/18). This figure is included in the Comprehensive Income and Expenditure Statement of the Group. A formal agreement is in place.

5.5.6 Contingent Liabilities

5.5.7 Events after the Balance Sheet date

McCloud Judgement- Pension Age Discrimination Case:

The Chief Constable of Staffordshire Police, along with other Chief Constables and the Home Office, currently has 189 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulation 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulation and in December 2018 the Court of Appeal (McCloud/Sergeant) ruled that the “transitional protection” offered to some members as part of the reform to public sector pension’s amount to unlawful discrimination. The Government applied for permission to appeal this decision to the Supreme Court and on 27th June 2019 the Supreme Court has denied the request.

The impact of an increase in scheme liabilities arising from McCloud/ Sergeant Judgement is measured through the pension valuation process and is included in the Pension Liability as at 31st March 2019. The impact on the LGPS is £1.5m and the Police Pension scheme is £97.7m.

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.

6.1 General Principles

Statutory Guidance and Accounting Standards Used

The Statement of Accounts summarises the Group's transactions for the 2018/19 financial year and its position at 31st March 2019. 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 2018/19 (the Code) and the Service Reporting Code of Practice 2018/19 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 set 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.

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 7.

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

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

7.1 Police Pension Scheme for England and Wales- Pension Fund Accounts

Fund Account 2017/18 £000		Fund Account 2018/19 £000	
	Contributions Receivable:		
	From employer		
(12,734)	Contributions at 21.3%	(12,592)	
(1,907)	Early retirements	(1,342)	
(17)	Other- Pre 1974 recharge receipts	(15)	
(8,125)	Officers contributions	(8,006)	
(22,783)			(21,955)
(483)	Transfers in from Other Schemes		(582)
	Benefits Payable:		
49,648	Pensions	52,330	
12,143	Commutations and lump sum retirement benefits	13,263	
2,691	Ill-health commutations and lump sum retirement benefits	0	
313	Lump sum death benefits	0	
64,795			65,593
	Payment to and on Account of Leavers		
9	Refund of contributions	6	
0	Individual transfers out to other schemes	111	
9			117
41,538	Sub-total for the year before transfer from the Group of amount equal to the deficit		43,173
(41,538)	Net Amount payable/ receivable for the year		(43,173)
107	Additional of 2.9% to the cash flow due to a reduction in the employer contribution rate from 24.2% to 21.3% that is reflected in a reduction in the Home Office pension to up funding		1,714
(41,431)	Actual Home Office top up funding		(41,459)

The Chief Constable administers the Police Pension Fund Account on behalf of the PCC; amounts debited and credited to the Account are specified by legislation, the Police Pension Fund Regulations 2007 (Statutory Regulations 2007 No 1932) In relation to the Account the use of the word 'Fund' should not be taken to mean the Police Pension Scheme is a funded scheme, as there are no assets or investments associated with the Account to provide for future benefits. Instead the purpose of the Account 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 balance the account for that year.

7.2 Notes to Supplementary Financial Statements

Note 1

The annual cost of police pensions is met, in part, by contributions from the employer and serving police officers and other minor sources of income. Under the Police Pension Fund Regulations 2007. Due to the fact that the Chief Constable does not hold assets or liabilities, no cash is transacted by the Chief Constable. The fund is be balanced to nil at the end of each financial year either by paying over any surplus to the Home Office or by receiving cash in the form of pension top-up grant from the Home Office to make up any deficit. The OPCC acts as intermediary where grant payment/receipt takes place – the grant is therefore shown on the OPCC's CIES (Intra-group funding) but is transferred to the Chief Constable through the Intra-Group funding. The fund does not hold any investment assets and follows the accounting policies of the Group.

Note 2

The Account collects the costs and income relating to retired police officers that are in receipt of pensions and income associated with serving police officers that are members of the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) or the Police Pension Scheme 2015 (PPS). There are certain exceptions to this arrangement, such as pension's payable under the Police Injury Pension Regulations, which are charged directly to the Cost of Services in the CIES;

Note 3

The Account includes the relevant payments made to pension scheme members following the Ombudsman decision in Milne v GAD and also the additional Top Up funding reimbursed by the Home Office to fund these payments;

Note 4

This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Chief Constables pension liability can be found in Appendix B.

Note 5

Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 21.3% of police officer pensionable pay from 1st April 2015. However, the difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer, reducing Pensions Top Up as shown at the foot of the Pension Fund Account. In both years the force therefore budgeted as though there were an employer contribution rate of 24.2%;

Accounting Policies

(a) Transfer values

The OPCC uses the receipts and payments basis for transfer values it has received or paid and for refunds of contributions. This means the accounts do not include amounts the OPCC owe or amounts which are owed to the OPCC.

(b) Debtors and creditors

The OPCC include debtors and creditors at the end of the financial year for employer's pension contributions paid in advance, top-up grant due but not received and for commuted lump sum payments to retiring police officers that have been paid but not processed through the payroll. The pension scheme financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

(c) IAS 19

Relevant information from the pension accounts has been supplied to the Government Actuary Department (GAD), so the necessary information is available to help us meet IAS19. Further details of the long-term pension obligations are contained in Appendix B of the Financial Statements.

7.3. Pensions Scheme

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:

7.3.1 Comprehensive Income and Expenditure Statement

	LGPS £000		PPS £000	
	2017/18	2018/19	2017/18	2018/19
Cost of Services:				
Current Service Cost (Inc. Employee Cont.)	(15,057)	(14,849)	(41,050)	(40,950)
Past Service Costs	(336)	(1,805)	(1,520)	(97,710)
Pensions Transfers In	0	0	(480)	(590)
Financing and Investment Income and Expenditure				
Interest Cost on defined benefit obligation	(8,388)	(9,092)	(58,880)	(54,030)
Interest Income on Plan Assets	5,265	5,762	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on Provision of Services	(18,516)	(19,984)	(101,930)	(193,280)

7.3.2 Re-measurement of the net defined benefit Liability:

	LGPS £000		PPS £000	
	2017/18	2018/19	2017/18	2018/19
Obligations relating to: staff previously under control of the Chief Constable; and new staff in year	119	0	0	0
Return on plan assets (excl the amount Inc. in the net interest expense)	(602)	11,461	0	0
Re-measurement of the net defined benefit liability-demographic assumptions	0	0	70,880	0
Interest Cost on defined benefit obligation Re-measurement of the net defined benefit liability-financial assumptions	7,718	(34,863)	(66,300)	(65,120)

Actuarial gains and losses on liabilities experience	20	(18)	131,620	3,160
Total Post Employment Benefit Charged to the CIES	7,255	(23,420)	136,200	(61,960)

7.3.3 Movement in Reserves Statement

	LGPS £000		PPS £000	
	2017/18	2018/19	2017/18	2018/19
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	18,516	19,984	101,930	193,280
<i>Actual Amounts Charged Against the general Fund Balance for Pensions in the Year:</i>				
Employers Contributions Payable to Scheme	(7,713)	(9,757)	(67,460)	(68,960)
Retirement Benefits Payable to Pensioners	0	0	0	0
Total	10,803	10,227	34,470	124,320

7.3.4 Pension Assets and Liabilities Recognized 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:

	2018/19 £000	2017/18 £000	2016/17 £000	2015/16 £000
PPS	(2,014,946)	(1,870,126)	(2,013,287)	(1,719,695)
LGPS	(388,020)	(330,040)	(316,665)	(268,244)
Fair Value of LGPS Assets	234,369	210,036	200,209	183,474
PPS	(2,014,946)	(1,870,126)	(2,013,287)	(1,719,695)
LGPS	(153,651)	(120,004)	(116,456)	(84,770)
Total	(2,168,597)	(1,990,130)	(2,129,743)	(1,804,465)

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

	LGPS		PPS	
	£000		£000	
	2017/18	2018/19	2017/18	2018/19
Opening Balance at 1 April	(316,665)	(330,041)	(2,013,287)	(1,870,126)
Obligations relating to: staff previously under control of the Chief Constable; and new staff in the year	321	0	0	0
Current Service Cost	(15,057)	(14,849)	(32,930)	(32,950)
Interest Cost	(8,388)	(9,092)	(58,880)	(54,030)
Contributions by Scheme Participants	(2,461)	(2,517)	(8,120)	(8,000)
Remeasurement gain/(loss)	7,738	(34,881)	136,200	(61,960)
Pension Transfers In	0	0	(480)	(590)
Benefits Paid	4,807	5,163	67,460	68,960
Past Service Cost (including curtailments)	(336)	(1,805)	(1,520)	(97,710)
Top-up-Grant	0	0	41,431	41,459
Closing Balance at 31 March	(330,041)	(388,022)	(1,870,126)	(2,014,946)

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

	LGPS	
	£000	
	2017/18	2018/19
Opening Balance at 1 April	200,209	210,037
Assets relating to: staff previously under control of the Chief Constable; and new staff in the year	(202)	0
Interest Income	5,265	5,762
Remeasurement (loss)/gain:		
The return on plan assets, excluding the amount included in the net interest expense	(602)	11,461
Employer Contributions	7,713	9,757
Contributions by Scheme Participants	2,461	2,517
Benefits Paid	(4,807)	(5,163)
Closing Balance at 31 March	210,037	234,371

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 2018/19 and the potential effect of changes in these assumptions are set out below. The total net liability of £2,067m 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 2019 are £9.757m.

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

7.3.7 The Local Government Pension Scheme assets comprised:

	31 st March 2018		31 st March 2019	
	Fair Value of Scheme Assets £m	% age of Total Assets	Fair Value of Scheme Assets £m	% age of Total Assets
Equity Securities:				
Consumer	9.2508	4	10.6327	4
Manufacturing	8.9143	4	9.1107	4
Energy and Utilities	2.6137	1	3.8164	2
Financial Institutions	8.6633	4	8.8102	4
Health and Care	6.3188	3	6.8355	3
IT	6.0470	3	6.7900	3
Other	0.2316	0	0.2252	0
Debt Securities:				
Corporate Bonds (investment grade)	16.1957	8	17.6818	7
Corporate Bonds (non-investment grade)	0.0000	0	0.0000	0
UK Government	0.0000	0	0.0000	0
Other	0.0000	0	0.0000	0
Private Equity:				
All	6.2324	3	8.5265	4
Real Estate:				
UK Property	16.5124	8	20.2475	9
Overseas Property	0.0000	0	0.0000	0
Investment Funds and Unit Trusts:				
Equities	100.8729	46	107.2118	43
Bonds	12.5602	6	18.0221	8
Hedge Funds	3.7477	2	4.1608	2
Commodities	0.0000	0	0.0000	0
Infrastructure	0.0000	0	0.0000	0
Other	5.5071	3	9.5887	4
Derivatives:				
Inflation	0.0000	0	0.0000	0
Interest Rate	0.0000	0	0.0000	0
Foreign Exchange	0.0000	0	0.0000	0
Other	0.0000	0	0.0000	0
Cash and Cash Equivalents:				
All	9.7831	5	6.5201	3
Total	213.451	100	238.180	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

7.3.8 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	
	2017/18	2018/19	2017/18	2018/19
Mortality Assumptions				
<u>Longevity at 65 for Current Pensioners</u>				
Men	22.1yrs	22.1yrs	22.6yrs	22.1yrs
Women	24.4yrs	24.4yrs	24.2yrs	24.4yrs
<u>Longevity at 65 for Future Pensioners</u>				
Men	24.1yrs	24.1yrs	24.5yrs	24.1yrs
Women	26.4yrs	26.4yrs	26.1yrs	26.4yrs
Rate of Inflation	2.30%pa	2.35%pa	2.30%pa	2.35%pa
Rate of Increases in Salaries	2.8%pa	2.9%pa	2.80%pa	2.90%pa
Rate of short term Increase in Salaries (to 2020)			1.00%pa	1.00%pa
Rate of Increases in Pensions	2.4%pa	2.5%pa	2.30%pa	2.50%pa
Rate for Discounting Scheme Liabilities	2.7%pa	2.4%pa	2.55%pa	2.40%pa
Take Up of Option to Convert Annual Pension into Retirement Grant:				
Pre-April 2008 Service	50%	50%	N/A	N/A
Post-April 2008 Service	75%	75%	N/A	N/A

7.3.9 Sensitivity Analysis

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The tables below shows 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	Approximate % Increase in Employer Liability	Approximate monetary amount (000's)
0.5% decrease in Real Discount Rate	13%	49,837
0.5% increase in the salary Increase rate	3%	10,221
0.5% increase in the pension Increase Rate	10%	38,556

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	10.0%	(221,000)
1 year increase in member life expectancy	2.5%	56,000
0.5% increase in the salary Increase rate	1.0%	25,000

8.1 Abbreviations

OPCC	-	Office of the Police and Crime Commissioner for Staffordshire
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
VFM	-	Value for Money
PCSO	-	Police Community Support Officer
OPCC	-	Office for the Police and Crime Commissioner
CMPG	-	Central Motorway Patrol Group
HMIC	-	Her Majesty's Inspectorate of Constabulary
CFO	-	Chief Finance Officer
CIPFA	-	Chartered Institute of Public Finance & Accountancy
EFA	-	Expenditure and Funding Analysis

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 of the Group Account.

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.