

Staffordshire Police and Crime Commissioner Group

Statement of Accounting Policies 2025/26

Report of the Head of Financial Accounting

1. Introduction

- 1.1. This report sets out the Commissioner's and Force's proposed accounting policies for 2025/26.
- 1.2. Local authorities in the United Kingdom are required to prepare their accounts in compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is developed each year by the Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee (CIPFA/LASAAC) and has effect for financial years commencing on or after 1 April each year.
- 1.3. The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority.

2. Recommendations

- 2.1. The Joint Audit and Risk Committee (JARC) is asked to:
 - 2.1.1. 2.1. The Joint Audit and Risk Committee (JARC) is asked to examine the information presented in this report.
 - 2.1.2. The report allows JARC to consider the Accounting Policies that will be applied to the Statement of Accounts for 2025/26 and to understand and evaluate the financial reporting requirements surrounding each critical accounting judgment and estimate and is sufficiently satisfied that management's accounting policies, judgements and estimates are fit for purpose.
 - 2.1.3. The proposed accounting policies are in line with CIPFA Local Government accounting requirements. No alternatives have been considered.

3. New or amended standards introduced to the 2025/26 Code

3.1. The 2025/26 Code introduces significant changes affecting the measurement of non-investment assets and the accounting for intangible assets. The PCC Group has updated its accounting policies accordingly. Other accounting policies remain broadly consistent with 2024/25 unless stated.

3.2. Key changes and updates are summarised below:

3.2.1. As of 1 April 2025, in accordance with CIPFA Bulletin As of 1 April 2025, and in line with CIPFA Bulletin 22, Staffordshire Police has implemented mandatory indexation to ensure asset valuations remain aligned with current economic conditions. Under this approach, buildings undergo a full valuation every five years, with indexation applied in years two to five using appropriate and reliable indices. Where suitable indices are unavailable or considered inappropriate, a desktop valuation is carried out in year three to maintain the accuracy and integrity of asset values.

Staffordshire Police has elected to undertake a full valuation of all land and buildings in 2025/26. As a result, the indexation requirements introduced under CIPFA Bulletin 22 will not impact the accounts until for these assets until 2026/27.

3.2.2. Property, Plant and Equipment (PPE) – impairment approach: the Code clarifies that undertaking a full revaluation should not be a default process solely to demonstrate that there has not been a material impairment.

3.2.3. Intangible assets: the revaluation model is withdrawn in the 2025/26 Code; intangible assets must be measured at historical cost (cost less amortisation and impairment).

3.3. Where the policy changes represent an accounting policy change under IAS 8/Code, comparative figures would be restated only if required and practicable. Any material prior period adjustments would be disclosed in the notes to the accounts.

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Statement of Accounting Policies 2025/26

1. General Principles

The Statement of Accounts for the Staffordshire Police and Crime Commissioner (PCC), the Chief Constable (CC) and the consolidated Group for the year ended 31 March 2026 has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) and is supported by International Financial Reporting Standards (IFRS). The Accounts are prepared under the Accounts and Audit Regulations 2024 and follow the accruals basis of accounting.

The PCC is responsible for stewardship of public funds, including the Police Fund. The Statement of Accounts is prepared on a going-concern basis and presents a true and fair view of the financial position and performance of the PCC, CC and Group.

2. Changes in Accounting Policy

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or more relevant information about the effects 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 stated otherwise) by adjusting opening balances and comparative amounts as if the new policy had always been applied.

The only changes to Staffordshire Police's accounting policies for 2025/26 relate to updates in the Code concerning the treatment and valuation of non-investment assets, particularly Property, Plant and Equipment (PPE) and Intangible Assets. These changes reflect the outcomes of HM Treasury's Thematic Review of Non-investment Assets and associated amendments to IFRS-based UK public sector standards.

3. Group Accounts

Following the Police Reform and Social Responsibility Act 2011, two corporation sole bodies exist: the PCC and the CC. For accounting purposes, the CC is treated as a subsidiary of the PCC and Group Accounts are prepared.

The PCC controls economic resources and bears the majority of risks and rewards (including ownership of all non-current assets, reserves, and the statutory responsibility for the Police Fund). The CC is responsible for operational policing. Consolidation is performed using the acquisition method, eliminating intra-group transactions and balances, so that the Group financial statements present the activities of the PCC and the CC as a single economic entity.

The single-entity statements of the PCC show the Police Fund and strategic resources, while the CC single-entity statements show the cost of operational policing. The Group statements combine both.

4. Income and Cost Recognition and Intra-group Adjustments

The PCC is responsible for the single Police Fund into which all income for Staffordshire Police is received and from which all expenditure is paid, meaning the Chief Constable does not operate a separate bank account into which money can be received or from which payments can be made.

The Chief Constable's Accounts record the full cost of delivering day-to-day operational policing, including salaries for officers, PCSOs and staff, operational running costs, and charges for the use of PCC-owned assets, which are based on depreciation, amortisation and any impairments. To reflect that all operational policing is funded by the PCC, the Chief Constable's Accounts show income in the form of funding provided by the PCC; however, because the PCC holds and manages all cash, this funding is an accounting entry only rather than an actual cash flow. These shared accounting entries form the basis of the intra-group adjustment made when the PCC and Chief Constable's Accounts are consolidated into the Group Accounts.

In addition, the Chief Constable's Accounts also recognise the cost of post-employment benefits earned by staff and officers during the year, along with the cost of accrued absences such as untaken annual leave.

Council Tax precepts are accounted for on an agency basis with billing authorities. The Group recognises its share of debtors, impairment allowances, overpayments/prepayments and cash balances from the collection funds of billing authorities.

5. 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. The exception to the accruals basis is where the amounts involved are not material. Further details are given below:

- Where income and expenditure has been recognised but cash has not yet been received or paid; a debtors or creditor for the relevant amount is included in the Balance Sheet;
- Fees, charges and rents due from customers are accounted for as income at the date that the associated goods or services are provided;
- Interest due to or from third parties in relation to loans and investment, is accrued in full at the year-end;
- Supplies are recorded as expenditure when they are consumed. Supplies received but not yet consumed are held as inventories in the Balance Sheet;
- Provision is made for Impairments of debts in the General Fund;

Specifically, the Council Tax precept on billing authorities is accounted for on an accrual's 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.

6. Revenue Recognition (IFRS15)

IFRS 15 determines that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

- Revenue recognised from contracts with customers, including the disaggregation of revenue into appropriate categories
- Contract balances, including the opening and closing balances of receivables, contract assets and contract liabilities
- Performance obligations, including when the entity typically satisfies its performance obligations and the amount of the transaction price that is allocated to the remaining performance obligations in a contract
- Significant judgements, and changes in judgements, made in applying the requirements, and
- Assets recognised from the costs to obtain or fulfil a contract with a customer.

Statutory income streams such as council tax precepts and government grants fall outside the scope of IFRS 15 because they do not arise from enforceable contracts with customers. IFRS 15 applies only to revenue from contracts where goods or services are transferred in exchange for consideration.

7. Council Tax Precept Income

Council tax income included within the comprehensive income and expenditure statement includes our share of the surplus or deficits from other local authority collection funds.

8. Government Grants and Contributions (IAS20)

Grants and contributions are recognised in the CIES when conditions attached to the grant or contributions has been satisfied. Government grants and contributions that have been satisfied are carried in the Balance Sheet as creditors. Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movements in Reserves Statement (MIRS). Where the grant is yet to be used to finance capital, it is held on the Capital Grant unapplied reserve. Where it has been used, it is transferred to the Capital Adjustment Account (CAA).

9. Interest

External interest receivable on investments and the interest payable on borrowing are charged to the comprehensive income and expenditure statement.

10. Charges to Service Revenue Accounts for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Group is not required to raise council tax (via precept) to fund depreciation, revaluation and impairment losses or amortisation. However, he is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement in accordance with the Local Authorities (Capital Finance & Accounting) (England) Regulations 2003, as amended, known as the Minimum Revenue Provision.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Minimum Revenue Provision contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the MIRS for the difference between the two.

11. Jointly Controlled Operations (IAS 31)

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.

12. 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.

13. Employee Benefits (IAS 19)

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 staff 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 accrual's basis to the Non-Distributed Costs line in the Group's CIES. They are charged when the Group is demonstrably committed to the termination of the employment of an employee or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Defined Benefit Schemes (Post-Employment Benefits)

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

- Police Officers – Police Pension Scheme (PPS)

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

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

International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds. The PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an

additional margin. Discount rates used by the actuaries and other assumptions are sent out in 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 – considering 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.

14. Property, Plant and Equipment (PPE) (IAS 16)

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

Recognition:

Expenditure on the acquisition, creation or enhancement of PPE is capitalised where it provides benefits to the Group for more than one year and exceeds the de minimis threshold of £10,000. Expenditure that maintains, but does not enhance, asset performance is charged to revenue.

Measurement at initial recognition:

Assets are initially measured at cost, comprising purchase price and all directly attributable costs of bringing the asset into working condition for its intended use. Donated assets are recognised at fair value with a corresponding credit to Taxation and Non-Specific Grant

Income and Expenditure; statutory adjustments reverse this impact in the Movement in Reserves Statement (MIRS).

Subsequent measurement:

As of 1 April 2025, in accordance with CIPFA Bulletin As of 1 April 2025, and in line with CIPFA Bulletin 22, Staffordshire Police has implemented mandatory indexation to ensure asset valuations remain aligned with current economic conditions. Under this approach, buildings undergo a full valuation every five years, with indexation applied in years two to five using appropriate and reliable indices. Where suitable indices are unavailable or considered inappropriate, a desktop valuation is carried out in year three to maintain the accuracy and integrity of asset values.

Staffordshire Police has elected to undertake a full valuation of all land and buildings in 2025/26. As a result, the indexation requirements introduced under CIPFA Bulletin 22 will not impact the accounts until for these assets until 2026/27.

From 2026/27 Indexation will be applied using reliable and recognised valuation indices (e.g., BCIS or Valuation Office indices), reviewed annually for appropriateness. In the rare case that no suitable index exists, a desktop or full valuation may be undertaken in year. Operational assets are measured at current value (existing use value), specialised assets at depreciated replacement cost, and assets under construction at historical cost.

Componentisation

Componentisation will only be applied to new buildings and significant refurbishments completed after 1 April 2010 and to revaluations undertaken after 1 April 2010.

Componentisation will be applied where an individual component is material and has a significantly different useful life from the main structure. Replacement of components will result in derecognition of the old component and capitalisation of the new one.

- Structure
- Windows/ Doors
- External Works
- Roof
- Cells & Custody
- Services

Depreciation (IAS16):

Depreciation is provided on a straight-line basis over the asset's useful life. Components of significant cost are depreciated separately. Land is not depreciated. Depreciation is not charged in the year of acquisition or under construction but is charged in full in the year of disposal.

Depreciation is calculated on the straight-line method over:

- Land and Building (Inc. Components) straight line allocation over the useful life of the property as estimated by the valuer;
- Vehicles 3 to 10 years

- IT Equipment 2 to 10 years
- Other Plant and Equipment 3 to 20 years

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

Impairment (IAS 39):

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

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the Cost of Services in the CIES.

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

15. Intangible Assets

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Group's business or which arise from contractual or other legal rights where expenditure of at least £10,000 is incurred. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to the Group and where the cost of the asset can be measured reliably. Internally generated intangible assets Internally generated goodwill, brands, publishing titles, mastheads and similar items are not capitalised as intangible assets.

Expenditure on development of an intangible asset will only be capitalised where all the following can be demonstrated:

- The project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- The Group intends to develop the asset and sell or use it;
- The Group has the ability to sell or use the asset;
- The asset will demonstrate probable future economic benefits or service benefits;
- Adequate financial, technical or other resources are available to the Group to complete the development and sell or use the asset; and
- The Group can reliably measure the expenses attributable to the asset during its development.

Software

Software which is integral to the operating system is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware (e.g. application software) is capitalised as an intangible asset.

Measurement

From 1 April 2025, the Code withdraws the revaluation model for intangible assets. Intangible assets must be measured at historical cost less accumulated amortisation and impairment. Amortisation is on a straight-line basis over the estimated useful life.

Amortisation

Intangible assets are amortised over their expected useful economic life in a manner consistent with the consumption of economic or service benefits. The amortisation periods for intangible assets are, in general, three years for software licences and ten years for internally developed software.

Disposals and Derecognition

On disposal or derecognition, the carrying amount of the asset is written off to the Other Operating Expenditure line in the CIES. Disposal proceeds are credited to the same line. Any accumulated revaluation surplus for the asset is transferred from the Revaluation Reserve to the Capital Adjustment Account. Where applicable, usable capital receipts are credited to the Usable Capital Receipts Reserve.

Gains and Losses on Sale of Assets

Where sale proceeds are in excess of £10,000, the gain or loss on sale or disposal (including finance leases) is removed from the CIES and adjusted with the Usable Capital Receipts Reserve (for sale proceeds) and the Capital Adjustment Account (for carrying value in the Balance Sheet).

The Usable Capital Receipts Reserve can then only be posted against the Capital Adjustment Account when financing new capital expenditure. In the meantime, the Reserve is included as a reduction in the calculation of the Capital Financing Requirement.

16. Assets Held for Sale (IFRS 5)

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to Other Operating Expenditure line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on provision of services.

Depreciation is not charged on Assets Held for Sale.

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

17. Leases (IFRS16)

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

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

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

Group as a Lessee

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Group is reasonably certain to exercise; penalties for early termination if the lease term reflects the Group exercising a break option; and payments in an optional renewal period if the Group is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is re-measured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The right of use asset is tested for impairment if there are any indicators of impairment. Leases of low value assets (value when new less than £10,000) and short-term leases of 12 months or less are expensed to the Comprehensive Income and Expenditure Statement, as

are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

Group as a Lessor

Operating Leases

Where the Group grants 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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18. Cash and Cash Equivalent (IAS 39)

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In both the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group cash management.

19. Inventories/Stocks (IAS 2)

Stock is valued at the lower of cost or current replacement cost where it is held for distribution at no charge. The stock reflected in the Balance Sheet relates predominantly to uniforms and equipment which is distributed to officers as appropriate.

20. Provisions (IAS 37)

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 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.

21. 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.

22. 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.

23. Financial Instruments (IFRS9)

Fair Value Measurement

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

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

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

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

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

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

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

Financial liabilities

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

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

The Group has not entered into the repurchase or early settlement of borrowing.

Financial Assets

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

- Amortised cost- these are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Group, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement;
- fair value through profit or loss (FVPL) – these are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The techniques for fair value measurements are set out in Accounting Policy viii. Any gains or losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES; and
- Fair value through other comprehensive income (FVOCI) – not applicable for the Group

24. Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the

Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The purpose and nature of reserves (split between useable and unusable reserves) maintained by the PCC are disclosed in the Movement in Reserves Statement with a detailed breakdown of useable and unusable reserves provided in the notes to the Movement in Reserves Statement and to the Balance Sheet.

25. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the PCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the General Fund Balance to the CAA then reverses out the amounts charged so that there is no impact on the level of council tax.

26. Value Added Tax

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

27. 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.

28. Events after the Balance Sheet Date (IAS 10)

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified as:

- Adjusting Events – Those events that provide evidence of conditions that existed at the year end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Non-adjusting Events- Those events that are indicative of conditions that arose after the reporting period – the statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect,



disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events which appear after the date of authorisation for issue are not reflected in the Statement of Accounts

