Office of the Police and Crime Commissioner
STAFFORDSHIRE

# 2017/18
# GROUP STATEMENT OF ACCOUNTS

**(Incorporating Police and Crime Commissioner for Staffordshire single entity accounts)**

# Contents

# Contents – Notes to the Financial Statements

# Section 1
# Narrative Report

## 1.1 Foreword by the Police and Crime Commissioner (PCC)

The last few years have seen the types of crime and harm police are dealing with become more complex and often more damaging for victims. The wider security and public protection environment in the UK has also become more unpredictable because of international conflict.

It means, for the first time since being elected in November 2012, I abandoned for 2017/18 the freeze I put in place in the policing element of the council tax precept. Instead, I asked local people across Staffordshire for an extra 2%.

The ongoing importance of greater investment in technology and new capabilities for policing as the criminal and community safety situation changes is clear. Much of the crime police and wider law enforcement are dealing with today is of a different scale and complexity to just a few years ago. It is the scale of the changes in crime and the way it is committed, over just a few years, that's been bigger and more impactful than predicted.

The continued rise in the reporting of rape and serious sexual offences is a reflection of a greater willingness by victims to report because there's confidence that something will be done. Significantly increased demand on policing has to be resourced to maintain that confidence to report. The same can be said of domestic abuse, the exploitation of individuals and other crime that brings significant harm and changes lives.

The Internet has changed the world. Today, people are 20 times more likely to be a victim of crime online than in person, meaning law enforcement has to adapt. It means criminals can cause harm to others with less risk to themselves because there's no physical contact. The distance between a criminal and victim can be thousands of miles and often it's not only one victim attacked, but thousands, in a single 'click'. Four years ago, a few hundred thousand pounds a year was spent on forensic examination of technology, now it is millions of pounds.

Whilst policing has been adapting to immense changes in the types of crime over such a short time, the most local policing in the heart of communities has suffered. Numbers have remained broadly the same, but demand on their time has increased. The intention to rebuild the most local neighbourhood policing for Staffordshire and Stoke-on-Trent has already started.

My Safer, Fairer, and United Communities Strategy for 2017 – 2020 and the Chief Constable's Policing Plan which helps to deliver that will drive the changes needed to ensure Staffordshire Police are well equipped to meet new and 'traditional demands on policing here. And, finally, it's been a testing few years and it is important we recognise the flexibility and dedication of the police officers and staff who help to keep us safe in challenging times.

**Matthew Ellis**
**Police and Crime Commissioner for Staffordshire**

## 1.2 Chief Finance Officer's Foreword

These accounts are prepared on a going concern basis, assuming that the Office of the Police and Crime Commissioner (OPCC) will continue in operation for the foreseeable future in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting 2017/18.

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

The objectives of the Statement of Accounts are to provide useful information to a wide range of users about the financial position, financial performance and cash flows of the PCC. The information provided also allows for an assessment of the Commissioner's performance in terms of stewardship and the management of the resources entrusted to him. The accounts are, therefore, necessarily detailed and technical and explanatory notes are included where applicable.

This document contains two sets of accounts:

- Group accounts, which incorporate the PCC single entity accounts and the accounts produced by the Chief Constable [Section 3]
- PCC single entity accounts [Section 8]

Each set of statements comprise of the following:

**Comprehensive Income and Expenditure Statement –** This statement shows the income and expenditure activity for the financial year. This statement analyses the income and expenditure by type of spend.

**Balance Sheet –** A statement of the financial position as at 31 March, showing the assets, liabilities and reserves as valued at that date.

**Movement in Reserves Statement** – This statement shows the movement in the year on the different reserves held by the PCC. In particular the statement identifies the adjustments required between accounting on a funding basis and reporting basis.

**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.

**Jane Heppel**

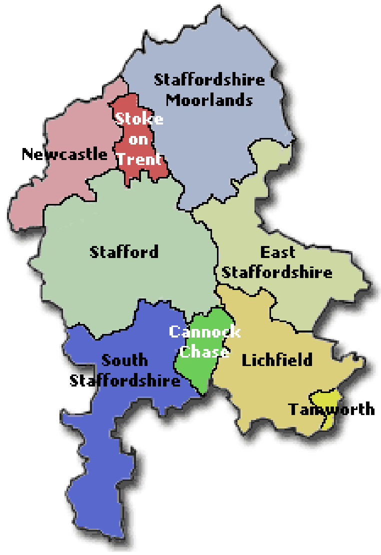
**Director of Finance, Staffordshire OPCC**

## 1.3 The Staffordshire context

### 1.3.1 Our 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.

The policing area covers more than 2,600 square kilometres reaching from the Peak District National Park in the north to the West Midlands conurbation border in the south, serving approximately 1,107,000 people living in more than 463,000 households. The people of Staffordshire live within diverse communities, ranging from the sparsely populated area of the Moorlands to densely populated areas such as the city of Stoke-on-Trent and Newcastle-under-Lyme in the north, the county town of Stafford at the heart of the county, Tamworth and Burton-upon-Trent in the east, and Cannock and Lichfield in the south.[1]




### 1.3.2 Our People

At the end of the financial year, Staffordshire Police employed 3,013 full time equivalent staff, consisting of 1,603 police officers, 227 police community support officers (PCSO's) and 1,183 police staff. The force is also supported by 239 volunteer Special Constables, who give up their own time to provide an enhanced service to Staffordshire communities.[2]

### 1.3.3 Our Priorities

In May 2017, the Police and Crime Commissioner (PCC) published an updated Safer, Fairer, United Communities strategy for 2017–2020. The strategy is about making a sustained difference to tackling crime, harm and anti-social behaviour by improving community safety across Staffordshire and Stoke-on-Trent. The updated strategy reflects changes that have occurred since the PCC came into office in November 2012 and adds a fifth priority of 'Modern Policing' to the four priorities carried through from the previous strategy:-


Policing and community safety face different challenges now to those that existed only five years ago. These are more complex and require different, more sophisticated responses. The environment has also changed.

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

Most public sector organisations have less money and have, or are, redesigning services to manage with less, whilst aiming to maintain good outcomes. There have been improvements in what gets delivered in some areas, for instance, more victims of crime are now supported and supported better. Crime is rising locally and nationally and the types of crime are evolving.

For the first time, reports of online crime was greater than other types of crime last year. Technology is providing greater opportunities for policing too as focus and priorities evolve across the wider sector e.g. terrorism, cyber, vulnerability and early intervention.

These challenges cannot be addressed by policing alone. Significant work is being undertaken by both the Office of the PCC and Staffordshire Police with partners in Staffordshire and those at a regional and national level to improve the delivery of public services, support continuous improvement and public safety, and ensure funding supports more efficient and effective service delivery. This ‘whole system’ approach to making people and places safer continues to support the on-going achievement of the PCC’s ambition for a safer Staffordshire and Stoke-on-Trent.

The PCC is concerned, however, that financial and other challenges in the wider public sector means efforts towards greater collaboration will be increasingly difficult to maintain. There is a risk that organisations under pressure retreat into delivering only what has to be delivered statutorily. The strategy reflects that but also reinforces the greater need to work in a joined up way, sharing information, skills and resources with partners to prevent and intervene early to deal with the root causes of problems before they become more complex and costly to address.

More effective information sharing between agencies is therefore a necessity and will require investment in technology. Work to develop the PCC’s ambition for a multi-agency approach via the ‘Connected Staffordshire’ solution he has set out is gathering some pace but is also threatened by the capacity of some agencies to identify the necessary funding.

### 1.3.4 Our Service Delivery

The new Chief Constable, employed by the PCC in 2017 has made swift and impressive progress in developing a new Blueprint for Change and Policing Plan that support the five priorities within the Safer, Fairer, United Communities Strategy. A revised performance framework is being introduced to enable the PCC to hold the Chief Constable and force to account in delivering the Policing Plan and meeting the strategy’s priorities.

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

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

- Introduction of more efficient and effective force governance arrangements;
- The formation of a new directorate structure;
- New structures that provide for more effective local and neighbourhood policing, partnership working, customer contact and response policing, investigations; operational support and business support functions;
- A greater investment in place-based neighbourhood policing and partnership teams to support prevention, early intervention and public protection;
- The development of a resolution centre to deliver a more informed and streamlined response to non-emergency service requests, thereby reducing the demand on front line resources, so that they can be used more effectively;
- The introduction of centres of excellence to enhance capabilities in key areas of policing activity such as early intervention, crime prevention, offender/sex offender management, adult abuse, child abuse, economic, serious and organised and cyber-crime;

- More consistent and efficient delivery of business support functions in partnership with other agencies e.g. Staffordshire Fire and Rescue Service;

- The implementation of a new target information model, with technology that is fit for purpose;

- Rationalisation of the PCC-owned estate achieved through integration of services with partner agencies and new ways of working;

- Workforce planning to ensure the right people with the right skills are in the right roles with the necessary development and wellbeing support;

- Leadership and cultural development programmes.

The PCC has been particularly keen to further improve the way the police and the fire service work together for greater efficiency and effectiveness. The Policing and Crime Act 2017 introduced a duty on police, fire and ambulance services to work together and enabled police and crime commissioners, where it was in the interests of economy, efficiency and effectiveness, or public safety, to take on responsibility for fire and rescue services. In Staffordshire, an in-depth, independent business case was developed involving the PCC's office, Staffordshire Fire and Rescue Service (SFARS) and Staffordshire Police. Based on this strong and compelling business case, the Home Office agreed on March 28 to transfer governance of the fire and rescue service to Staffordshire's Police and Crime Commissioner.

### 1.3.5 Our Legislative Arrangements

The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as 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 1 April 2014.

This Statement of Accounts is produced in the context of the Police Reform and Social Responsibility Act 2011. The Police and Crime Commissioner (PCC) responsibility for the finances of the whole group in that he receives all external funding (from central government in particular) and sets the annual budget and precept. The Chief Constable is allocated an annual budget by the PCC and is responsible for operational policing within a scheme of consent and local arrangements.

### 1.3.6 Our Relationship - the Police and Crime Commissioner and the Chief Constable

Each has specific roles and responsibilities under legislation.

**The Police and Crime Commissioner:**

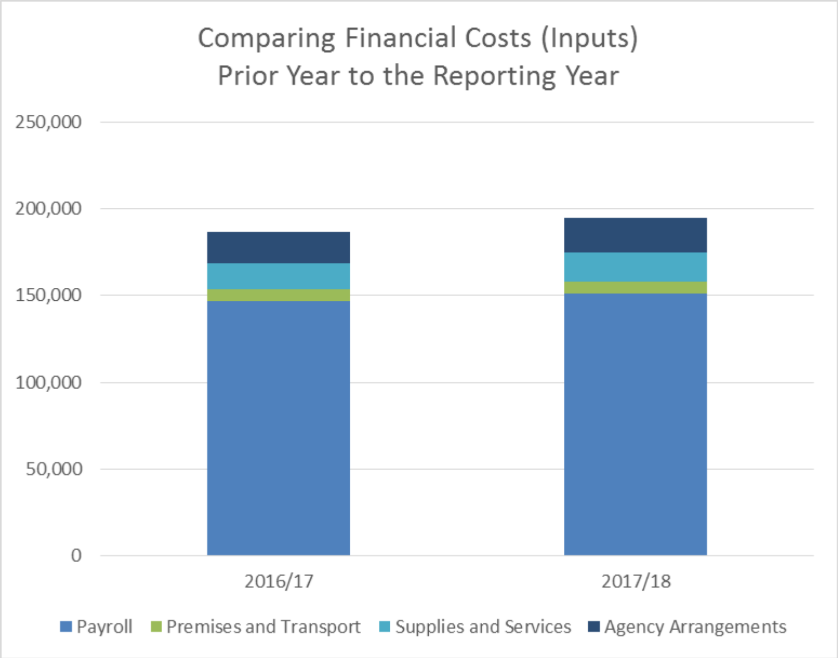
- Appoints the Chief Constable and may suspend, retire or resign them
- Must maintain the Police Force and ensure that it is efficient and effective
- Must issue a Police and Crime Plan
- Must hold the Chief Constable to account for their actions
- Receives all income from grants, precept and charges

**The Chief Constable:**

- Holds office as a servant of the crown and is not an employee
- Has direction and control over police officers and is the employer of police staff
- Is operationally independent
- Must have regard to the Commissioners Police and Crime Plan
- Holds no property, assets or liabilities
- May not borrow money

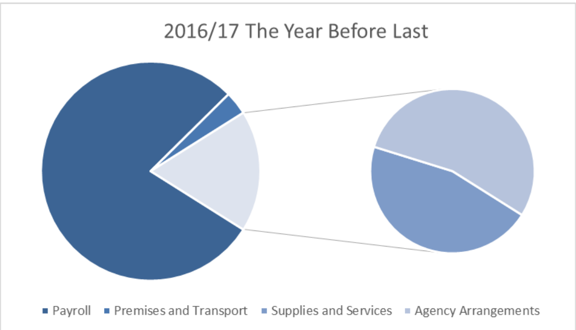
## 1.4 Financial Performance 2017/18

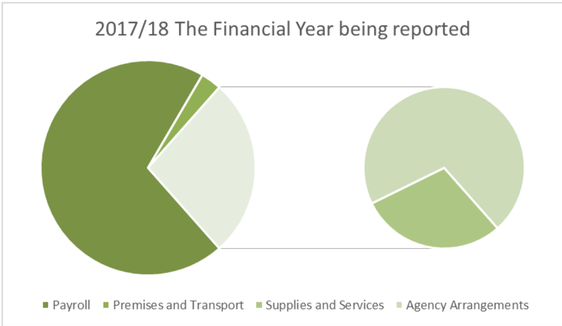
The gross cost of policing[3] in Staffordshire for 2017/18 was £194.8m, an increase against a gross cost in 2016/17 of £187.0m.




This has meant a:

- £1.7m increase in spend on increased development of our technology and in supporting future plans
- An increase in cost sharing arrangements in relation to the Regional Organised Crime Unit (ROCU) of £3.3M: this is not an increase in overall spend but rather a shift between pay and services spend




## 1.5 Budget and Responsibility changes in year 2017/18

During the year the responsibility for managing the detention officers, medical attention and interpreters contracts was moved from the Chief's budget to the PCC's budget, a transfer of £3.076m. In order to support the Police Officer pay award, and to cover the extraordinary costs of policing arrangements during the terrorist incidents in the summer of 2017 the PCC found £0.750m of additional funding for the Chief in year. This meant that the PCC's budget increased by a net £2.326m in year.

[3] This gross cost can be seen in the context of the reported CIES at section 5.2.

# 1.6 Financial Outcomes 2017/18

### Balance Sheet (Section 3)

The pension fund adjustments continue to make it difficult to evidence the real underlying net current assets position. The net movement in liabilities between years on the whole balance sheet is £136m of which £139m is due to movements in the pension's reserve.

| | 31 March 2017<br>£000 | 31 March 2018<br>£000 |
|---|---|---|
| Long Term Assets | 70,925 | 75,171 |
| Current Assets | 42,439 | 43,290 |
| Current Liabilities | (36,243) | (33,755) |
| Long Term Liabilities | (2,173,529) | (2,053,224) |
| **Net Liabilities** | **(2,096,408)** | **(1,968,519)** |
| Usable Reserves | (13,620) | (4,187) |
| Unusable Reserves | 2,110,028 | 1,972,706 |
| **Total Reserves** | **2,096,408** | **1,968,519** |

The working capital (current assets and liabilities) has increase by £3.3m despite significant changes in individual classes of assets and liabilities. Usable Reserves have fallen significantly by £9.433m, £5.915m of which was planned but some of which was due to risks arising in year such as a higher than expected pay award.

### Cashflow (Section 3)

The yearend position was that of minimal cash holdings and £12m external borrowing (Section 6.2.14). This was as a result of a planned approach to invest in capital from available cash for most of the year prior to the expected capital receipts which will now be received in 2018/19 and is in keeping with the Treasury Management strategy.

### Pension Liability (Sections 7 and 10)

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 and Section 7 details the cashflows 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 and is therefore not funded by Council Tax. Section 10 includes more information about the assets and liabilities of this scheme. The assessed liability overall of Staffordshire in the Police Pension Scheme as at 31st March 2018 was £1.870Bn.

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 externally 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 cost of pension payments to pensioners is largely met from the LGPS and is therefore not funded by Council Tax. In addition a recent actuarial assessment has determined that past contributions were insufficient and so the current revenue budget will have to pay £6.6m over the next three years to top up contributions. Section 10 includes more information about the assets and liabilities of this scheme. The assessed liability overall of Staffordshire in the LGPS as at 31st March 2018 was £122m.

| 31 March 2017<br>£000 | | 31 March 2018<br>£000 |
|---|---|---|
| (2,013,287) | Police Pensions Scheme | (1,870,126) |
| (118,229) | Local Government Pension Scheme | (121,955) |
| **(2,131,516)** | Pension Reserve | **(1,992,081)** |

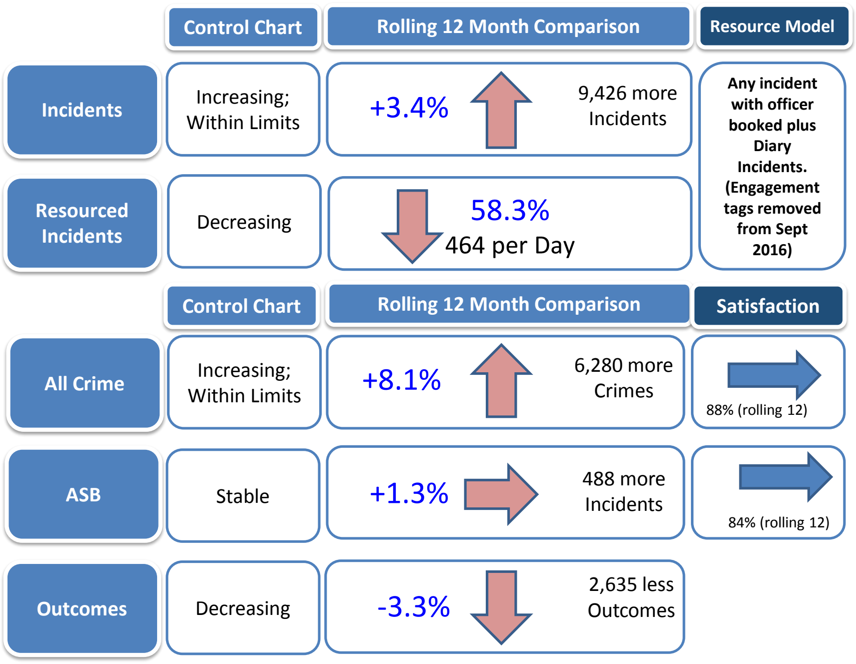
The liabilities show the underlying commitments of the Group to pay retirement benefits. However, the statutory arrangements for the funding of the deficit mean that the financial position of the OPCC/Group remains stable. For more information please see section 10.

The net liabilities at 31 March 2018 have reduced by £0.140m, which is due to a reduced calculation of the liabilities as well as an increase in the asset values so both elements of this complex assessment are deemed to have moved in our favour at yearend.

## 1.7 Non-Financial Performance 2017/18

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

**Overall Performance Summary to 31st March 2018**




Source: Staffordshire Police Victim Surveys 2017

In Police terminology a ‘resourced incident’ is one where a police officer physically attends or is deployed, whereas an ‘outcome’ refers to the nationally controlled system of classification whereby one of 21 outcome classes is assigned to each closed investigation. This is the reason why not all calls to the police end either with a resourced incident or an outcome: some calls do not require resourcing, and some cases raised in the year are not closed.
*the crimes related to both of these comments are a subset comprising hate, antisocial behaviour, vehicle, burglary and assault and road traffic collisions.

### 1.7.1 Volumes

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

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

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

**iQuanta Overview Chart**
**Crime**
**Data to the end of Feb 18**

| | Crimes | Violence against the person (ONS) | Rape | Other sexual offences (ONS) | Burglary | Shoplifting | Robbery |
|---|---|---|---|---|---|---|---|
| Force - Staffordshire | ◄► (in line) | ◄► (in line) | ◄► (worse) | ◄► (worse) | ◄► (in line) | ◄► (in line) | ▼ (in line) |
| Force - Avon & Somerset | ▲ (in line) | ◄► (in line) | ◄► (in line) | ◄► (in line) | ▲ (in line) | ▲ (in line) | ▽ (in line) |
| Force - Cheshire | ▼ (worse) | ▼ (worse) | ▼ (in line) | ▼ (worse) | ◄► (in line) | ◄► (worse) | ▼ (better) |
| Force - Derbyshire | ◄► (better) | ▼ (better) | ◄► (better) | ▲ (better) | ◄► (in line) | ◄► (in line) | ◄► (better) |
| Force - Essex | ▽ (in line) | ▼ (in line) | ◄► (in line) | ◄► (in line) | ◄► (in line) | △ (better) | ◄► (in line) |
| Force - Hampshire | △ (in line) | ◄► (worse) | ◄► (worse) | ◄► (worse) | ▲ (in line) | ◄► (in line) | ◄► (in line) |
| Force - Hertfordshire | ▽ (in line) | ▼ (in line) | ◄► (better) | ◄► (better) | ▼ (in line) | ◄► (worse) | ▼ (in line) |
| Force - Northamptonshire | ▲ (in line) | ◄► (in line) | ◄► (better) | ◄► (in line) | ◄► (in line) | ▲ (in line) | △ (worse) |

**Key to overview comparisons:**

Against peers - ladder

- Better than
- In line with peers
- Worse than

Based on last 3 months

Across time - shape

| | |
|---|---|
| ▲ | Clearly improving |
| △ | Improving |
| ◄► | No apparent change |
| ▽ | Deteriorating |
| ▼ | Clearly deteriorating |

Based on significant change

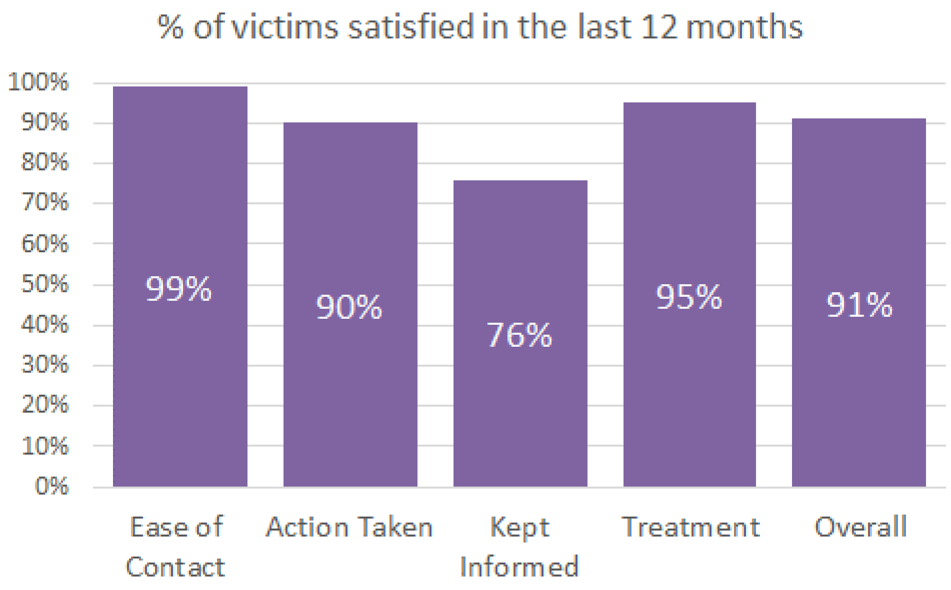
More crime reporting is not necessarily linked to a higher crime rate as a large part of this rise was due to more first time victims having the confidence to report their crimes and the continued efforts being made by the force to improve consistency in crime recording. The force has a focus on reducing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

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

### 1.7.2 Satisfaction

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

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




Source: Staffordshire Police Victim Surveys 2017

### 1.7.3 Outcomes

With an 8.1% increase in reported crime we would not have expected to see an increase in the outcome rate with the same resource input and the proportion of crimes where a positive outcome was achieved was 3.3% lower than last year. In absolute terms this represents 2,635 fewer cases with an outcome.

### 1.7.4 Staffordshire Victim Gateway

The Staffordshire Victim Gateway (SVG) is a specific local initiative for victims set up by the PCC helped over 58,000 people in 2017/18, including some that had not reported to the Police Force.

Quarterly Performance Review reports are prepared for SVG and figures for the quarter ended March 2018 indicated that 90.22% of Enhanced Victims (i.e vulnerable, intimidated or persistently targeted victims) and 95.7% of Standard Victims were contacted within 24 hours by SVG. Analysis of the causes of failure to make contact within 24 hours included:

- Missing contact information.
- It being deemed unsafe to make contact in order to protect victims, e.g. in domestic violence cases.
- Inappropriate to make contact.

The performance review report concluded that 97% of victims were happy or very happy with the services offered.

## 1.8 Future Strategy

### 1.8.1 Transformational Savings Delivery

Staffordshire Police, like all other Police forces across the country, has seen a substantial reduction in government funding as a consequence of the Government's policies to tackle the national fiscal deficit.

In response to this as well as in order to improve the efficiency of its operation the Force have established the SP25 Transformation Team to review operations across the Force. This programme plans to deliver savings of £2M and then £4.4M in 2018/19 and 2019/20. By the end of quarter one the Force is reporting that they have achieved or identified £1.257m of those savings.

### 1.8.2 Investment

In January 2018 the Police and Crime Commissioner took the view that in light of the rising demand and his wish to focus on front line investment he would raise the Band D Council Tax by £11.40.

This investment will fund an increase of 44 police officers by March 2019 with an additional 25 officers planned by March 2020 making a total of 69 additional officers over the period, as well as supporting the general revenue budget to be able to afford investment in revenue

### 1.8.3 Future Reserves Strategy

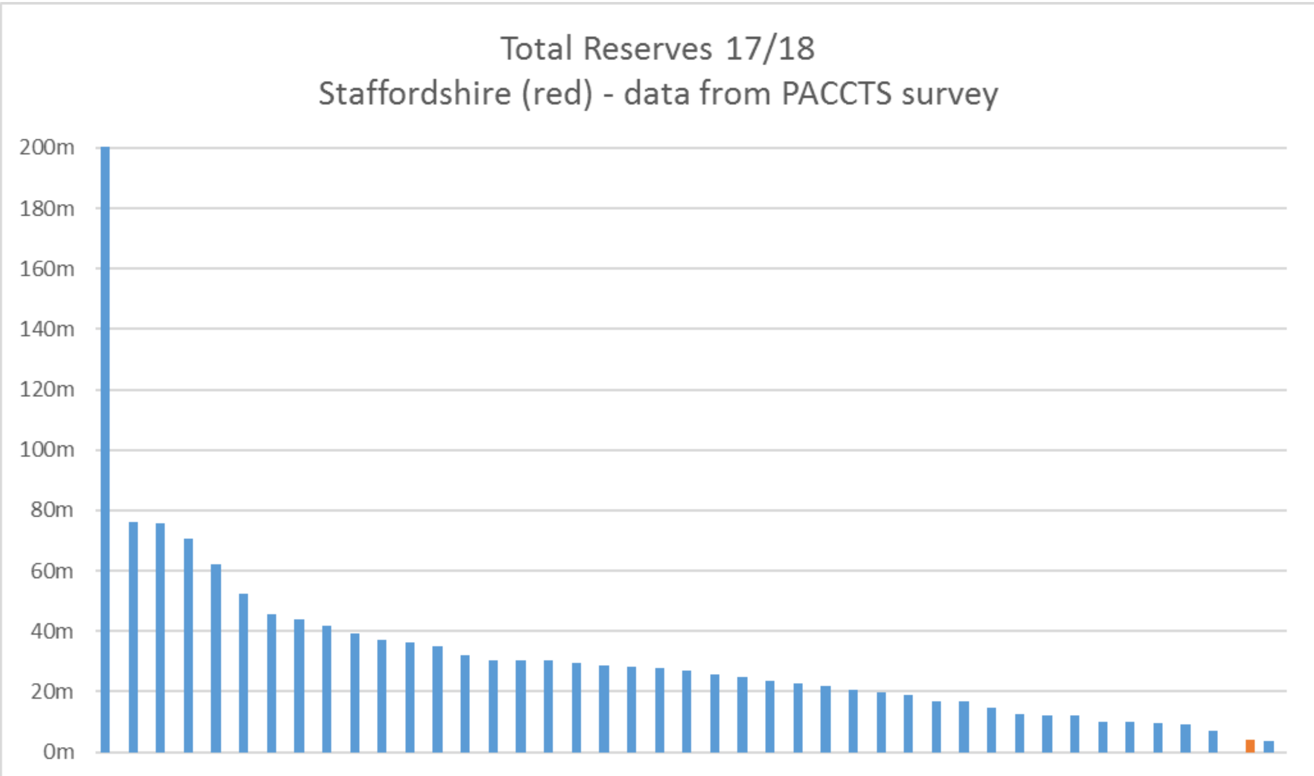
Usable reserves are held either for general purposes, such as to ensure there are appropriate funds available in the event of a significant emergency, or they are earmarked for specific purposes or to manage known risks. The reserves strategy is vital to managing the delivery of the savings targets without impacting performance on the frontline. The PCC pursues a policy of holding minimal safe reserves and does not seek to hold reserves against speculative risks or those he cannot control.

At 31 March 2018 the general fund is £2.857M and all usable reserves are £3.856m, (section 6.2.12) which is below the target set by the PCC in his Reserves Strategy which was published on the OPCC website as per Home Office requirements.

The current reserves position reflects the fact that a delay in the sale of capital assets (of which £1.7m has been received in 2018/19) necessitated internal borrowing from reserves against those future receipts. The alternative would have been to accelerate sales at less than full economic benefit: the cost of early receipt would have been £2.2m, taking expected sales of £12.1m down to £9.9m.

The Reserves Strategy will be revisited early in the new year and in addition the PCC will look to use the flexible capital receipts directive issued by the Secretary of State for Housing and Local Government to fund Transformation and restructuring spend. We anticipate being able to create a usable capital receipts reserve of £2.0m, bringing overall reserve levels back up to a satisfactory level.

The PCC does not however hold sufficient reserves to manage the decisions made by others. If government funding policy were to assume that all Forces can absorb increases or make investments from reserves, the PCC would expect to be negatively impacted in his future planning and resilience by this decision, by being at the lower end of all PCCs nationally in terms of the absolute levels of reserves.



### 1.8.4 Capital Infrastructure Investment

Appropriate and prudently funded capital investment supports and underpins the ambitious transformation plans for policing in Staffordshire. A significant amount of that investment will be in IT, in order to provide resilient systems to support channel shift of demand and recognize the challenges of digital, mobile policing.

The OPCC's decisions on capital are taken in the light of the impact on the revenue budget and corresponding borrowing limits. The impact of the capital programme on cash flow is minimised by using the net current asset position to avoid external borrowing where appropriate, most notably when the annual drawdown from the Home Office for police pensions is made in June. The planned Capital Programme spend of £27.1m in 2017/18 was due to be partly financed by Government Grants and contributions of £0.7m and the generation of capital receipts of £16.2m. During the year several key projects in IT slipped behind schedule. In addition two large sales which will now occur in the first 5 months of 2018/19 could not be concluded due to planning or market conditions. The final borrowing was therefore £1.86M higher than the original budget.

| | 2017/18 Original Budget £000 | 2017/18 Revised budget £000 | 2017/18 OUTTURN Actual £000 |
|---|---|---|---|
| **Programme Spend:** | | | |
| Estates Projects | 4,254 | 5,796 | 6,112 |
| ICT & Transformation Projects | 21,215 | 4,028 | 4,170 |
| Equipment | 210 | 312 | 298 |
| Vehicles | 1,418 | 1,627 | 1,896 |
| | **27,097** | **11,763** | **12,476** |
| Funded by: | | | |
| Central Government Grants | 700 | 683 | 683 |
| Other Grants | | 32 | 32 |
| Revenue Contributions | 400 | 0 | 0 |
| Capital Receipts | 16,212 | 115 | 115 |
| External Borrowing | 9,785 | 10,933 | 11,646 |
| | **27,097** | **11,763** | **12,476** |

# Section2
# Introductory Statements

## 2.1 Group Accounting Policies

### 2.1.1 Basis of Accounting

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

**Comprehensive Income and Expenditure (CIES)** record all of the Group'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 PCC. 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.

**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 PCC and his Chief Finance Officer.

**Disclosure Notes** to these financial statements it provides more detail on the Group and PCC accounting policies and individual transactions.

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

### 2.1.2 Accounting Developments and Changes

**Developments and other changes during 2017/18**
Staffordshire Police has decided to implement a de-Minimis level of £10,000 for the amount of expenditure that can be capitalised.

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

**Accounting Standards Issued but not adopted**
The Code of Practice on Local Authority Accounting requires the Authority to disclose the expected impact of new standards that have been issued but not yet adopted by the Code. Although a number of new and revised standards fall into this category, none are expected to have a material effect on the Staffordshire Police statements.

## 2.1.3 Critical Accounting Policies

Only the critical Accounting Policies used in preparing these statements are provided below. A full list of Accounting Policies can be found at Section 9, Appendix A.

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

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

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

**Charges to CIES for Non-Current Assets**
The cost of service is debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets in service.
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets, 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.

The PCC is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement of an amount considered to be prudent. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the General Fund, by way of an adjusting transaction with the Capital Adjustment Account in the PCC and OPCC Group's Movement in Reserves Statement for the difference between the two.

**Critical Judgements in applying Accounting Policies**
In applying the accounting policies set out in the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

The key judgements are:

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

## 2.2 Supplementary Comments

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

### Key Changes affecting 2017/18 Statements

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

### 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 |
|---|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets would fall, however, the assets are revalued on a rolling three year basis so the lives of the assets are regularly adjusted to allow for actual maintenance schedules. This, along with the increase in disposals, should negate the need to reduce lives further in the coming year. |
| Insurance Reserve | The Insurance Fund was subject to a full revaluation in 2017/18. This review confirmed that there were sufficient funds for future liabilities. The only uncertainly is the potential increase in claims as a result of the current economic climate, e.g. increase in fraud claims. | The fund evaluation in 2017/18 reassured OPCC that there were sufficient funds in the insurance reserves for outstanding current and potential liabilities. |
| 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 for these items the risk is clearly identified to the Group.<br>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 10. |

## Section 3

# Group Financial Statements

## 3.1 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the net cost in the year of providing services in accordance with IFRS, rather than the amount to be funded from taxation (funding basis). Costs covered on the funding basis are calculated differently, in accordance with legislative requirements. The funding basis position is shown in the Movement in Reserves Statement and Section 5.

| 2016/17 Net Expenditure £000 | | Notes | 2017/18 Net Expenditure £000 |
|---|---|---|---|
| (5,003) | Grants & Contributions | 6.1.2 | (7,776) |
| (4,337) | Reimbursements | | (4,087) |
| (2,009) | Sales, Fees & Charges | | (1,661) |
| (147) | Other Income | | (94) |
| **(11,496)** | **Total Income** | | **(13,618)** |
| 56,730 | Police Officer Pay and Allowances | | 63,500 |
| 53,239 | Police Staff Pay and Allowances | | 60,334 |
| 5,016 | Other Employee Expenses | | 5,125 |
| 3,691 | Police Pensions | | 4,789 |
| 3,804 | Premises | | 4,134 |
| 3,083 | Transport | | 3,157 |
| 15,380 | Supplies and Services | | 17,040 |
| 18,146 | Agency and Contracted Services | | 19,706 |
| 7,691 | Depreciation, Amortisation and Impairment | | 6,701 |
| 923 | Non Distributed Costs | | 2,492 |
| **167,703** | **Total Expenditure** | | **186,978** |
| **156,207** | **Cost of Services** | | **173,360** |
| (52) | (Surplus) or loss on disposals | 6.2.1 | 151 |
| 71,664 | Financing and Investment Income and Expenditure | 6.1.1 | 63,872 |
| (179,560) | Taxation and Non-Specific Grant Income | 6.1.3 | (179,341) |
| (39,938) | Grant Received From Home Office in respect of the pension fund account | 7.1 | (41,431) |
| **8,321** | **(Surplus) or deficit on Provision of Services** | | **16,611** |
| (2,711) | (Surplus) or Deficit on revaluation of non current assets | | (1,048) |
| 325,758 | Re-measurement of the net defined benefit liabilities | 10.1.2 | (143,452) |
| **323,047** | **Other Comprehensive (Income) and Expenditure** | | **(144,500)** |
| **331,368** | **Total Comprehensive (Income) and Expenditure** | | **(127,889)** |

## 3.2 Balance Sheet

This statement shows the value, as at 31 March each year, of the assets and liabilities recognised by the Group. The net assets (i.e. assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

- Usable reserves - i.e. those reserves that may be used to help provide services or reduce taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure, repay debt or as directed by a capitalisation directive).

- Unusable reserves – i.e. those reserves that are not able to be used to help provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March 2017 £000 | | Notes | 31 March 2018 £000 |
|---|---|---|---|
| 51,277 | Land and Buildings | 6.2.1 | 53,004 |
| 14,725 | Vehicles, Plant and Equipment | 6.2.1 | 17,459 |
| 2,462 | Intangible Assets | 6.2.2 | 2,052 |
| 2,097 | Assets under construction | 6.2.1 & 6.2.2 | 2,381 |
| 364 | Long-Term Debtors | 6.2.3 | 276 |
| **70,925** | **Long Term Assets** | | **75,171** |
| 415 | Inventories | 6.2.6 | 500 |
| 8,500 | Assets Held for Sale | 6.2.4 | 10,238 |
| 0 | Short Term Investments | 6.2.14 | 0 |
| 2,286 | Cash and Cash Equivalents | 6.2.8 | 2,710 |
| 31,238 | Short Term Debtors | 6.2.7 | 29,842 |
| **42,439** | **Current Assets** | | **43,290** |
| 0 | Bank Overdraft | 6.2.8 | 0 |
| (19,209) | Short Term Borrowing | 6.2.14 | (11,756) |
| (17,034) | Short Term Creditors | 6.2.9 | (22,000) |
| **(36,243)** | **Current Liabilities** | | **(33,755)** |
| (1,921) | Provisions | 6.2.10 | (2,073) |
| (39,550) | Long-Term Borrowing | 6.2.14 | (58,800) |
| (542) | Other Long Term Liabilities | 6.2.11 | (271) |
| 0 | Capital Grants Receipts in Advance | | (0) |
| (2,131,516) | Liability Related to Defined Benefit Pension Schemes | 10.1.4 | (1,992,081) |
| **(2,173,529)** | **Long Term Liabilities** | | **(2,053,224)** |
| **(2,096,408)** | **Net Liabilities** | | **(1,968,519)** |
| | **Financed by:** | | |
| | Usable Reserves: | | |
| (5,536) | General Fund | 6.2.12 | (2,857) |
| (7,753) | Earmarked Reserves | 6.2.12 | (999) |
| (331) | Capital Grant Unapplied | | (331) |
| 0 | Useable Capital Receipts Reserves | | 0 |
| 2,110,028 | Unusable Reserves | 6.2.13 | 1,972,706 |
| **2,096,408** | **Total Reserves** | | **1,968,519** |

## 3.3 Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the OPCC Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund before any discretionary transfers to or from earmarked reserves undertaken by the Group.

| | Notes | General Fund Balance £000 | Earmarked Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied Account £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total OPCC Group Reserves £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 April 2016** | | 6,282 | 10,783 | - | - | **17,065** | (1,782,105) | **(1,765,040)** |
| ***Movement in Reserves During 2016/17:*** | | | | | | | | |
| Total Comprehensive Income and Expenditure | 3.1 | (8,321) | - | - | - | **(8,321)** | (323,047) | **(331,368)** |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations | 5.3 | 4,545 | - | - | 331 | **4,876** | (4,876) | **-** |
| **Net increase/(decrease) before Transfers to Earmarked Reserves** | | **(3,776)** | **-** | **-** | **331** | **(3,445)** | **(327,923)** | **(331,368)** |
| Transfers To/From Earmarked Reserves | | 3,030 | (3,030) | - | - | - | - | - |
| **Decrease in 2016/17** | | **(746)** | **(3,030)** | **-** | **331** | **(3,445)** | **(327,923)** | **(331,368)** |
| **Balance at 31 March 2017 C/fwd.** | | **5,536** | **7,753** | **-** | **331** | **13,620** | **(2,110,028)** | **(2,096,408)** |
| ***Movement in Reserves During 2017/18:*** | | 5,536 | 7,753 | - | 331 | **13,620** | (2,110,028) | **(2,096,408)** |
| Total Comprehensive Income and Expenditure | 3.1 | (16,611) | - | - | - | **(16,611)** | 144,500 | **127,889** |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations | 5.3 | 7,178 | - | - | - | **7,178** | (7,178) | **-** |
| **Net increase/(decrease) before Transfers to Earmarked Reserves** | | **(9,433)** | **-** | **-** | **-** | **(9,433)** | **137,322** | **127,889** |
| Transfers To/From Earmarked Reserves | | 6,754 | (6,754) | - | - | **-** | - | **-** |
| **Decrease in 2017/18** | | (2,679) | (6,754) | - | - | **(9,433)** | 137,322 | **127,889** |
| **Balance at 31 March 2018 C/fwd.** | 3.2 | **2,857** | **999** | **-** | **331** | **4,187** | **(1,972,706)** | **(1,968,519)** |

## 3.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents held by the OPCC during the reporting period and how these are generated or used by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided by the OPCC. Investing activities represent the extent to which cash outflows have been used to generate resources intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

| | Notes | Restated Group 2016/17 £000 | Group 2017/18 £000 |
|---|---|---|---|
| Net (Surplus) or deficit on the provision of services | 3.1 | 8,323 | 16,611 |
| Adjustment to net (surplus) or deficit on the provisions of services for non-cash movements | 6.4.1 | 9,332 | (16,110) |
| Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | 6.4.2 | (942) | 1,281 |
| **Net Cash Flow operating Activities** | | **16,713** | **1,782** |
| Investing Activities | 6.4.3 | 6,705 | 11,294 |
| Financing Activities | | (22,542) | (13,500) |
| **Net Increase or decrease in cash and cash equivalents** | | **876** | **(424)** |
| Cash and cash equivalents at the beginning of the reporting period | | **(3,162)** | **(2,286)** |
| **Cash and Cash equivalent at the end of the reporting period** | | **(2,286)** | **(2,710)** |

# Section 4
# Certifications

## 4.1 Independent Auditor's Report to the members of The Office of the Police and Crime Commissioner for Staffordshire Group

**Opinion**

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

- Police and Crime Commissioner for Staffordshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Staffordshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Staffordshire and Group Balance Sheet;
- Police and Crime Commissioner for Staffordshire and Group Cash Flow Statement;
- Police and Crime Commissioner for Staffordshire Pension Fund Account Statements; and related notes 1 to 10.1.16.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Staffordshire and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the [Police and Crime Commissioner for Staffordshire and Group] 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 Director of Finance use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance 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 2017/18 Group Statement of Accounts set out on pages 1 to 13, other than the financial statements and our auditor's report thereon. The Director of Finance 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 Police and Crime Commissioner for [name of location] put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

## Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

## Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 25, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

**Auditor’s responsibilities for the audit of the financial statements**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Police and Crime Commissioner for Staffordshire had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Staffordshire put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner for 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 Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Certificate**

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for 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 Police and Crime Commissioner for 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 Police and Crime Commissioner for 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 2018

The maintenance and integrity of the Police and Crime Commissioner for Staffordshire's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 4.2 Statement of Responsibilities for the Statement of Accounts

**The Police and Crime Commissioner Responsibilities**

The authority is required to:

- Make arrangements for the proper administration of PCC's financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.

  In this authority, that responsibility rests with the Director of Finance.
- Manage the PCC's affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

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

X ______________________________

**Matthew Ellis**

**Police and Crime Commissioner for Staffordshire**

**The Director of Finance Responsibilities**

The Director of Finance is responsible for the preparation of the PCC single entity and OPCC Group Statement of Accounts, 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 this Statement of Accounts, I have:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the local authority code.

I have also:

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

These financial statements give a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31st March 2018.

X ______________________________

**Jane Heppel**
**Director of Finance for the Police and Crime Commissioner for Staffordshire**

# Section 5

# Funding Basis vs IFRS Basis

The PCC is required by statute to make funding decisions on a different basis from the Statement of Accounts which is required by legislation itself to follow International Financial Reporting Standards (IFRS). The management accounts used for resource allocation and budget management are shown on a funding basis and a number of adjustments are, therefore, required to produce the Statement of Accounts on an IFRS basis. The adjustments required to the CIES are generally offset by adjustments to unusable reserves. The impact on the CIES is shown in section 5.3 and the movements in reserves are shown in section 6.2.12.

## 5.1 Performance against Budget 2017/18

For budget management purposes reports are prepared on a subjective, nominal account basis. Using this basis the pre-audit outturn was reported to Strategic Governance Board in May 2018 and showed the net outturn as being £2.679m lower than that planned for the year. The revised budget reflects the redistribution of resources during the year to reflect the operational management decisions.

| | 2017/18 Original Budget £000 | 2017/18 Revised Budget £000 | 2017/18 Actuals £000 | 2017/18 Variance to Revised Budget £000 |
|---|---|---|---|---|
| **Expenditure** | | | | |
| Police Officer Pay Costs | 87,743 | 88,714 | 90,305 | **(1,591)** |
| PCSO Pay Costs | 8,811 | 8,816 | 8,501 | **315** |
| Police Staff Pay Costs | 41,827 | 41,857 | 42,811 | **(954)** |
| Other Employee Costs | 3,139 | 3,365 | 4,903 | **(1,538)** |
| Police Officer Pensions | 4,015 | 4,015 | 4,755 | **(740)** |
| Repairs & Maintenance | 0 | 0 | 75 | **(75)** |
| Other Premises Costs | 3,758 | 4,008 | 4,059 | **(51)** |
| Vehicle Costs | 1,956 | 1,951 | 2,067 | **(116)** |
| Other Travel Costs | 424 | 424 | 522 | **(98)** |
| Operational Supplies & Service | 6,937 | 7,241 | 6,918 | **323** |
| Communications & Computers | 10,612 | 3,289 | 6,316 | **(3,027)** |
| Administration | 3,677 | 3,775 | 2,785 | **990** |
| Other Supplies & Services | 181 | 181 | 978 | **(797)** |
| Third Party Payments | 10,247 | 20,066 | 19,706 | **360** |
| Capital Financing Costs | 4,617 | 4,490 | 4,319 | **171** |
| **Subtotal Expenditure** | **187,944** | **192,192** | **199,020** | **(6,828)** |
| | | | | |
| **Income** | | | | |
| Grants & Contributions | (3,256) | (6,870) | (7,690) | 820 |
| Reimbursements | (1,818) | (1,904) | (4,087) | 2,183 |
| Sales, Fees & Charges | (1,154) | (1,340) | (1,430) | 90 |
| Recharge Payroll to Capital | 0 | 0 | 0 | 0 |
| Other Income | (30) | (30) | (109) | 79 |
| **Subtotal Income** | **(6,258)** | **(10,144)** | **(13,316)** | **3,172** |
| | | | | |
| Reserve Transfers in | (2,950) | (3,456) | (4,433) | 977 |
| Reserve Transfers out | 0 | 0 | 0 | 0 |
| | **178,736** | **178,592** | **181,271** | **(2,679)** |

## 5.2 Expenditure (IFRS) and Funding Analysis

The Expenditure and Funding Analysis (EFA) brings together both the fiscal/ funding framework and the accounting framework. It takes the net expenditure that is chargeable to taxation and reconciles it to the CIES Surplus or Deficit on the Provision of Services. As the management accounting reports for Staffordshire use a nominal or subjective basis of reporting, the format is quite similar to the statement of accounts.

| 2016/17 | | | | | 2017/18 | | | |
|---|---|---|---|---|---|---|---|---|
| General Fund (Net Expenditure) £000 | Adjustments Between Funding Basis and IFRS Basis £000 | Reallocation | CIES (Net Expenditure) £000 | | General Fund (Net Expenditure) £000 | Adjustments Between Funding Basis and IFRS Basis £000 | Reallocation | CIES (Net Expenditure) £000 |
| 90,176 | (33,446) | 0 | 56,730 | Police Officer Pay and Allowances | 90,305 | (26,805) | 0 | 63,500 |
| 48,557 | 3,428 | 1,254 | 53,239 | Police Staff Pay and Allowances | 51,312 | 7,411 | 1,611 | 60,334 |
| 4,665 | 0 | 351 | 5,016 | Other Employee Expenses | 4,903 | 0 | 222 | 5,125 |
| 3,657 | 0 | 34 | 3,691 | Police Pensions | 4,789 | 0 | 0 | 4,789 |
| 3,804 | 0 | 0 | 3,804 | Premises | 4,134 | 0 | 0 | 4,134 |
| 2,647 | 0 | 436 | 3,083 | Transport | 2,589 | 0 | 568 | 3,157 |
| 15,357 | 0 | 23 | 15,380 | Supplies and Services | 17,040 | 0 | 0 | 17,040 |
| 18,146 | 0 | 0 | 18,146 | Agency and Contracted Services | 19,706 | 0 | 0 | 19,706 |
| 0 | 7,691 | 0 | 7,691 | Depreciation, Impairment etc | (0) | 6,701 | 0 | 6,701 |
| 0 | 403 | 520 | 923 | Non Distributed Costs | 0 | 2,341 | 151 | 2,492 |
| **187,009** | **(21,924)** | **2,618** | **167,703** | **Expenditure** | **194,778** | **(10,352)** | **2,552** | **186,978** |
| | | | | | | | | |
| (5,003) | 0 | 0 | (5,003) | Grants & Contributions | (7,776) | 0 | 0 | (7,776) |
| (4,337) | 0 | 0 | (4,337) | Reimbursements | (4,087) | 0 | 0 | (4,087) |
| (1,939) | 0 | (70) | (2,009) | Sales, Fees & Charges | (1,521) | 0 | (140) | (1,661) |
| (147) | 0 | 0 | (147) | Other Income | (94) | 0 | 0 | (94) |
| **(11,426)** | **0** | **(70)** | **(11,496)** | **Income** | **(13,478)** | **0** | **(140)** | **(13,618)** |
| **175,583** | **(21,924)** | **2,548** | **156,207** | **Net Cost of Services** | **181,300** | **(10,352)** | **2,412** | **173,360** |
| 0 | (52) | 0 | (52) | (Surplus) / Deficit on disposal of assets | 0 | 151 | 0 | 151 |
| 4,058 | 67,628 | (22) | 71,664 | Financing and Investment Income and Expenditure | 4,319 | 59,568 | (16) | 63,872 |
| (178,391) | (41,107) | 0 | (219,498) | Taxation and Non-Specific Grant Income | (178,583) | (42,189) | 0 | (220,772) |
| **1,250** | **4,545** | **2,526** | **8,321** | **(Surplus) or deficit on Provision of Services** | **7,036** | **7,178** | **2,396** | **16,611** |
| | | | | | | | | |
| 0 | (2,711) | 0 | (2,711) | (Surplus) or Deficit on revaluation of non current assets | 0 | (1,048) | 0 | (1,048) |
| 0 | 325,758 | 0 | 325,758 | Re-measurement of the net defined benefit liabilities | 0 | (143,452) | 0 | (143,452) |
| (1,597) | 1,597 | (2,526) | 0 | Transfers To/(From) Earmarked Reserves | (4,358) | 4,358 | (2,396) | 0 |
| **(347)** | **329,189** | **0** | **331,368** | **Net Surplus / Deficit funded from General Fund** | **2,678** | **(132,964)** | **0** | **(127,889)** |
| | | | | | | | | |
| 6,282 | | | | **Opening General Fund** | 5,536 | | | |
| (1,092) | | | | Transfers in / (out) | 0 | | | |
| 346 | | | | Net (surplus) / Deficit for the year | (2,679) | | | |
| **5,536** | | | | **Closing General Fund** | **2,857** | | | |

## 5.2.1 Analysis of EFA adjustments

| 2016/17 | | | | | | 2017/18 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital £000 | Pensions £000 | Insurance £000 | Other £000 | Total £000 | Adjustments from General Fund to arrive at the CIES | Capital £000 | Pensions £000 | Insurance £000 | Other £000 | Total £000 |
| 0 | 0 | 0 | (54) | **(54)** | Police Officer Pay and Allowances | 0 | 0 | 0 | 395 | **395** |
| 0 | (23,800) | 0 | 0 | **(23,800)** | Officers Pension Service Costs Unfunded | 0 | (32,930) | 0 | 0 | **(32,930)** |
| 0 | (8,300) | 0 | 0 | **(8,300)** | Officers Pension Service Costs Funded | 0 | (8,120) | 0 | 0 | **(8,120)** |
| 0 | 65,600 | 0 | 0 | **65,600** | Pensions Paid | 0 | 67,460 | 0 | 0 | **67,460** |
| 0 | 0 | 0 | (248) | **(248)** | Police Staff Pay and Allowances | 0 | 0 | 0 | 53 | **53** |
| 0 | (9,071) | 0 | (34) | **(9,105)** | Staff Pension Service Costs | 0 | (15,302) | 0 | 0 | **(15,302)** |
| 0 | 5,815 | 0 | 0 | **5,815** | Staff Pension Payments Employer Contributions | 0 | 7,765 | 0 | 0 | **7,765** |
| 0 | 76 | 0 | 0 | **76** | Staff Pension Payments Unfunded Benefits | 0 | 73 | 0 | 0 | **73** |
| 0 | (1,254) | 0 | 0 | **(1,254)** | Staff Pension Contribution to prior year deficits | 0 | 0 | 0 | (1,611) | **(1,611)** |
| 0 | 0 | 0 | 56 | **56** | Other Employee Expenses | 0 | 0 | 0 | 0 | **0** |
| 0 | 0 | 0 | (23) | **(23)** | Supplies & Services | 0 | 0 | 0 | 0 | **0** |
| 0 | 0 | (407) | 0 | **(407)** | Insurance - employees | 0 | 0 | (222) | 0 | **(222)** |
| 0 | 0 | (436) | 0 | **(436)** | Insurance - vehicles | 0 | 0 | (568) | 0 | **(568)** |
| (7,691) | 0 | 0 | 0 | **(7,691)** | Depreciation, Amortisation and Impairment | (6,701) | 0 | 0 | 0 | **(6,701)** |
| 0 | 0 | 94 | (24) | **70** | Other Income and Expenditure | 0 | 0 | 156 | (16) | **140** |
| 0 | (403) | (520) | 0 | **(923)** | Non Distributed Costs | 0 | (2,341) | (151) | 0 | **(2,492)** |
| **(7,691)** | **28,663** | **(1,269)** | **(327)** | **19,376** | **Net Cost of Services** | **(6,701)** | **16,605** | **(785)** | **(1,179)** | **7,940** |
| 2,368 | 0 | 0 | 0 | **2,368** | Other Income and Expenditure | 2,485 | 0 | 0 | 0 | **2,485** |
| 0 | 0 | 0 | 52 | **52** | Loss or gain on disposal of fixed assets | (150) | 0 | 0 | 0 | **(150)** |
| 0 | (66,880) | 0 | 0 | **(66,880)** | Pension Interest on Liabilities - Officers | 0 | (58,880) | 0 | 0 | **(58,880)** |
| 0 | (9,628) | 0 | 0 | **(9,628)** | Pension Interest on Liabilities - Staff | 0 | (8,524) | 0 | 0 | **(8,524)** |
| 0 | 6,564 | 0 | 0 | **6,564** | Pension Return on Assets | 0 | 5,351 | 0 | 0 | **5,351** |
| 0 | 0 | 0 | (30) | **(30)** | Financing and investment | 0 | 0 | 0 | 0 | **0** |
| 1,164 | 39,938 | 0 | 5 | **41,107** | Grants & Contributions | 737 | 41,431 | 0 | 21 | **42,189** |
| **(4,159)** | **(1,343)** | **(1,269)** | **(300)** | **(7,071)** | **(Surplus) or deficit on Provision of Services** | **(3,629)** | **(4,017)** | **(785)** | **(1,158)** | **(9,589)** |
| 2,711 | 0 | 0 | 0 | **2,711** | (Surplus) or Deficit on revaluation of non current assets | (1,048) | 0 | 0 | 0 | **(1,048)** |
| 0 | (325,758) | 0 | 0 | **(325,758)** | Re-measurement of the net defined benefit liabilities | 0 | 143,452 | 0 | 0 | **143,452** |
| 0 | 0 | 0 | (1,597) | **(1,597)** | Use of Reserves | 0 | 0 | 785 | 0 | **785** |
| **(1,448)** | **(327,101)** | **(1,269)** | **(1,897)** | **(331,715)** | **Difference between General Fund and CIES Surplus or Deficit on the Provision Of Services** | **(4,677)** | **139,435** | **0** | **(1,158)** | **133,600** |

**Note (i) Adjustments for Capital Purposes**
This column adds in depreciation and revaluation gains and losses in the services line. Minimum Revenue Provision (MRP) and other revenue contributions to capital expenditure are deducted because they are not chargeable under generally accepted accounting practices. Other income and expenditure is adjusted for capital disposals of assets with a transfer of the income on disposal and the amounts written off for those assets; an adjustment is also made to recognise capital grant income.

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

## 5.3 Adjustments between IFRS Basis and Funding Basis

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

**Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18**

| | 2017/18 | | | |
|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 |
| **Adjustments Primarily Involving the Capital Adjustment Account:** | | | | |
| *Reversal of items Debited or Credited to the CIES:* | | | | |
| Adjustments | 352 | 0 | 0 | (352) |
| Charges for depreciation and impairment of non Current assets | 3,744 | 0 | 0 | (3,744) |
| Revaluation losses on Property Plant and Equipment & Other | 179 | 0 | 0 | (179) |
| Amounts of non current assets written off on disposal or sale | 694 | 0 | 0 | (694) |
| Amortisation of intangible assets | 643 | 0 | 0 | (643) |
| Revenue expenditure funded from capital under statute | (771) | 0 | 0 | 771 |
| *Insertion of items not debited or credited to the CIES:* | | | | 0 |
| Statutory Provision for the financing of capital investment (MRP) | (2,204) | 0 | 0 | 2,204 |
| Deferred Charges | 1,783 | 0 | 0 | (1,783) |
| Capital expenditure charged against the general fund balance | (10) | 0 | 0 | 10 |
| **Adjustments Primarily involving the Capital Grants Unapplied Account** | | | | |
| Capital grants and contributions unapplied credited to the income and expenditure Statement | 0 | 0 | 0 | 0 |
| Application of grants to capital financing transferred to the capital Adjustment Account | (737) | 0 | 0 | 737 |
| **Adjustments primarily involving the Capital Receipts Reserve** | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | (544) | 544 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new Capital Expenditure | 0 | (44) | 0 | 44 |
| Use of the Capital Receipts Reserve to finance new Transformation Expenditure | 500 | (500) | 0 | 0 |
| Cash Payment in relation to deferred capital receipt | (80) | 0 | 0 | 80 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 80 | 0 | 0 | (80) |
| **Adjustments Involving the Pensions Reserve** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 120,747 | 0 | 0 | (120,747) |
| Employers Pensions contributions and direct payments to pensioners payable in the year | (75,298) | 0 | 0 | 75,298 |
| Additional contribution to the Pension Fund to balance the deficit on the Fund Account | (41,431) | 0 | 0 | 41,431 |
| Use of Usable Pensions reserve to fund deficit in year | | | | |
| **Adjustments Involving the Collection Fund Adjustment Account** | | | | |
| Amount by which council tax income credited to the CIES is different from funding basis | (21) | 0 | 0 | 21 |
| **Adjustment Involving the Accumulated Absences Account** | | | | |
| Amount by which officer remuneration charged to the CIES on a accruals basis is different from funding basis | (448) | 0 | 0 | 448 |
| **Total Adjustments** | **7,178** | **0** | **0** | **(7,178)** |

## Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17

| | 2016/17 General Fund Balance £000 | 2016/17 Capital Receipts Reserve £000 | 2016/17 Capital Grants Unapplied £000 | 2016/17 Total Usable Reserves £000 |
|---|---|---|---|---|
| **Adjustments Primarily Involving the Capital Adjustment Account:** | | | | |
| *Reversal of items Debited or Credited to the CIES:* | | | | |
| Adjustments | 553 | 0 | 0 | (553) |
| Charges for depreciation and impairment of non Current assets | 5,495 | 0 | 0 | (5,495) |
| Revaluation losses on Property Plant and Equipment & Other | 413 | 0 | 0 | (413) |
| Amounts of non current assets written off on disposal or sale | 170 | 0 | 0 | (170) |
| Amortisation of intangible assets | 651 | 0 | 0 | (651) |
| Revenue expenditure funded from capital under statute | (271) | 0 | 0 | 271 |
| *Insertion of items not debited or credited to the CIES:* | | | | |
| Statutory Provision for the financing of capital investment (MRP) | (2,045) | 0 | 0 | 2,045 |
| Capital expenditure charged against the general fund balance | 579 | 0 | 0 | (579) |
| **Adjustments Primarily involving the Capital Grants Unapplied Account** | | | | |
| Capital grants and contributions unapplied credited to the income and expenditure Statement | (331) | 0 | 331 | 0 |
| Application of grants to capital financing transferred to the capital Adjustment Account | (833) | 0 | 0 | 833 |
| **Adjustments primarily involving the Capital Receipts Reserve** | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | (222) | 222 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new Capital Expenditure | 0 | (222) | 0 | 222 |
| **Adjustments Involving the Pensions Reserve** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 111,518 | 0 | 0 | (111,518) |
| Employers Pensions contributions and direct payments to pensioners payable in the year | (71,491) | 0 | 0 | 71,491 |
| Additional contribution to the Pension Fund to balance the deficit on the Fund Account | (39,938) | 0 | 0 | 39,938 |
| Use of Usable Pensions reserve to fund deficit in year | | | | |
| **Adjustments Involving the Collection Fund Adjustment Account** | | | | |
| Amount by which council tax income credited to the CIES is different from funding basis | (5) | 0 | 0 | 5 |
| **Adjustment Involving the Accumulated Absences Account** | | | | |
| Amount by which officer remuneration charged to the CIES on a accruals basis is different from funding basis | 302 | 0 | 0 | (302) |
| **Total Adjustments** | **4,545** | **0** | **331** | **(4,876)** |

## 5.4 Capital

### 5.4.1 Capital Expenditure

Capital expenditure is managed as projects even where the project may deliver additional value to a number of different parts of an asset e.g. a mix of equipment and Land and Buildings improvements.

| | 2017/18 Original Budget £000 | 2017/18 Revised budget £000 | 2017/18 OUTTURN Actual £000 |
|---|---|---|---|
| **Programme Spend:** | | | |
| Estates Projects | 4,254 | 5,796 | 6,112 |
| ICT & Transformation Projects | 21,215 | 4,028 | 4,170 |
| Equipment | 210 | 312 | 298 |
| Vehicles | 1,418 | 1,627 | 1,896 |
| | **27,097** | **11,763** | **12,476** |
| Funded by: | | | |
| Central Government Grants | 700 | 683 | 683 |
| Other Grants | | 32 | 32 |
| Revenue Contributions | 400 | 0 | 0 |
| Capital Receipts | 16,212 | 115 | 115 |
| External Borrowing | 9,785 | 10,933 | 11,646 |
| | **27,097** | **11,763** | **12,476** |

There has been considerable slippage from 2017/18 to 2018/19 of £19.025M of capital spend as critical IT developments await the support and advice of our strategic partner.

### 5.4.2 Capital Financing Requirement (CFR)

In accordance with the Code, capital expenditure is financed on an accruals basis.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **53,018** | **Opening Capital Financing Requirement** | **55,184** |
| | **Capital Investment** | |
| 3,103 | Property Plant & Equipment | 6,942 |
| 337 | Intangible Assets | 232 |
| 2,097 | Non operational Assets | 1,769 |
| (271) | Revenue Expenditure Funded from Capital Under Statute | (271) |
| | **Sources of Finance:** | |
| (833) | Capital Grants Received in Year | (715) |
| 0 | Capital Grants from Earmarked Reserves | 0 |
| (222) | Capital Receipts | (115) |
| | **Sums Set Aside From revenue:** | |
| 0 | Direct Revenue Contributions | 0 |
| 0 | Direct Revenue Contribution From Earmarked Reserves | 0 |
| (2,045) | Minimum Revenue Provision | (2,204) |
| **55,184** | **Closing Capital Financing Requirement** | **60,823** |
| | **Explanation of Movements in Year:** | |
| 2,166 | Increase in underlying Need to Borrow (Supported by Government Financial Assistance) | 5,639 |
| | Decrease in Underlying Need to Borrow (Unsupported by Government Financial Assistance) | |
| **2,166** | **Increase in Capital Financing Requirement** | **5,639** |

## 5.5 Long Term Borrowing

Long term borrowing is with the Public Works Loan Board (PWLB).

| | As at 31 March 2017 £000 | As at 31 March 2018 £000 |
|---|---|---|
| **Analysis by lender** | | |
| Public Work Loan Board | 41,300 | 60,050 |
| | **41,300** | **60,050** |
| **Analysis by Maturity** | | |
| Less Than One Year | 1,750 | 1,250 |
| Between One To Two Years | 1,250 | 2,000 |
| Between Two To Five Years | 9,600 | 10,300 |
| More Than Five Years | 28,700 | 46,500 |
| **Total** | **41,300** | **60,050** |

A significant proportion of the borrowing – 44% - matures more than 10 years after the balance sheet date. The maximum amount repayable in any one year is £4.050m.

## Section 6

# Notes to the Financial Statements

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

# 6.1 Comprehensive Income and Expenditure Notes

## 6.1.1 Financing and Investment Net Expenditure

Financing and Investment includes the following items,

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 1,743 | Interest Payable and Similar Charges | 1,835 |
| 69,944 | Pension Net Interest Cost | 62,053 |
| (23) | Interest Receivable and Similar Income | (16) |
| **71,664** | **Total** | **63,872** |

## 6.1.2 Specific Grants

Included within the Gross income figure in the Net Cost of Services for the OPCC Group are specific grants and contributions of £7.776m. A breakdown of these by awarding body is listed below:

| 2016/17 £000 | Body | | 2017/18 £000 |
|---|---|---|---|
| 1,314 | Victim Service Grant/ Completed Fund | Ministry of Justice | 1,306 |
| 587 | Safety Roads Partnership | Staffordshire County Council | 1,044 |
| 448 | CSE Innovation Fund | Ministry of Justice | - |
| 436 | Counter Terrorism | Home Office | 388 |
| 206 | FME Early Adopter | Department of Health | - |
| 164 | Loan Charges | Home Office | 153 |
| 112 | Police Fire & Rescue collaboration | Home Office | - |
| - | Operation Temper | PCC | 61 |
| 10 | Ending Gang Violence and Exploitation | Home Office | - |
| - | Drug Testing Enforcement | Home Office | - |
| **3,277** | **Total Specific Grants** | | **2,952** |
| 1,726 | Contributions | | 4,824 |
| **5,003** | **Total Grants and Contributions** | | **7,776** |

## 6.1.3 Taxation and Non-Specific Grant Income

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| (60,008) | Precepts | (61,704) |
| (66,487) | Police Revenue Grant | (65,558) |
| (39,937) | Non- Domestic Rates Redistribution | (39,378) |
| (8,423) | Localisation of Council Tax | (8,423) |
| (3,541) | Council Tax Freeze Grant | (3,541) |
| (1,164) | Capital Grants and Contributions | (737) |
| **(179,560)** | **Taxation and Non-Specific Grant Income OPCC** | **(179,341)** |
| (39,938) | Home Office Top Up Grant | (41,431) |
| **(219,498)** | **Taxation and Non-Specific Grant Income Group** | **(220,772)** |

### 6.1.4 Audit Fees

The audit fees payable in 2017/18 to the Auditors in relation to the audit of OPCC Group accounts were as follows:

The 17/18 audit fees disclosed include additional fee for overruns in the 15/16 audit following approval by Public Sector Audit Appointment.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 47 | External Audit Fees | 55 |
| 0 | Additional External Audit Fees 2015/16 | 34 |
| **47** | **Total Audit Fees** | **89** |

### 6.1.5 Operating Leases

The OPCC Group has entered into a number of operating leases for its use of Premises owned by other bodies. The future minimum lease payments due under non-cancellable leases in future years are:

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 119 | No Later Than One Year | 31 |
| 43 | Later Than One Year and Not Later Than Five Years | 32 |
| 633 | Later Than Five Years | 6,601 |
| **795** | **Total** | **6,664** |

### 6.1.6 Material Items of Income and Expenditure

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

# 6.2 Balance Sheet Notes

## 6.2.1 Property, Plant and Equipment

**Movements in 2017/18**

| | Land and Buildings: Land and Building £000 | Land and Buildings: Surplus Assets £000 | Assets Under Construction £000 | Vehicles, Plant and Equipment £000 | Total Property Plant and Equipment £000 |
|---|---|---|---|---|---|
| **Cost or Valuation as at 1 April** | **52,404** | **2,290** | **2,097** | **45,177** | **101,968** |
| Additions | 3,179 | 0 | 286 | 5,513 | **8,978** |
| Adjustments | 0 | 0 | 0 | 0 | **0** |
| Donations | 0 | 0 | 0 | 86 | **86** |
| Revaluation increases /(decreases) recognised in Revaluation Reserve | (48) | (40) | 0 | 0 | **(88)** |
| Revaluation increases/ (decreases) recognised in the Surplus/ Deficit of the Provision of Services | (179) | 0 | 0 | 0 | **(179)** |
| Derecognition disposals | 0 | (500) | 0 | (783) | **(1,283)** |
| Derecognition other | 0 | 0 | 0 | (294) | **(294)** |
| Assets Reclassified | (704) | 500 | (1,486) | 0 | **(1,690)** |
| Other Movements in Cost or Valuation | 0 | 0 | 0 | 0 | **0** |
| | **54,652** | **2,250** | **897** | **49,699** | **107,498** |
| **As at 31 March** | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | |
| **As at 1 April** | **(3,294)** | **(123)** | **0** | **(30,453)** | **(33,870)** |
| Depreciation Charge | (1,184) | (58) | 0 | (2,624) | **(3,866)** |
| Adjustments | 0 | 0 | 0 | 143 | **143** |
| Depreciation Written Out to the Revaluation Reserve | 545 | 0 | 0 | (22) | **523** |
| Depreciation Written Out to the Surplus/ Deficit on the provision of Services | 0 | 0 | 0 | 0 | **0** |
| Impairment Losses (Reversals) Recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | **0** |
| Impairment Losses (Reversals) Recognised in the Surplus/ Deficit on the provision of Services | 0 | 0 | 0 | 0 | **0** |
| Derecognition disposals | 0 | 25 | 0 | 645 | **670** |
| Derecognition other | 0 | 0 | 0 | 71 | **71** |
| Assets Reclassified | 248 | (57) | 0 | 0 | **191** |
| Other Movements in Depreciation and Impairment | 0 | 0 | 0 | 0 | **0** |
| **As at 31 March** | **(3,685)** | **(213)** | **0** | **(32,240)** | **(36,138)** |
| **Net Book Value 2018** | **50,967** | **2,037** | **897** | **17,459** | **71,360** |
| **Net Book Value 2017** | **49,110** | **2,167** | **2,097** | **14,724** | **68,098** |

## Movements in 2016/17

| | Land and Buildings | | | | |
|---|---|---|---|---|---|
| | Land and Building £000 | Surplus Assets £000 | Assets Under Construction £000 | Vehicles, Plant and Equipment £000 | Total Property Plant and Equipment £000 |
| **Cost or Valuation as at 1 April** | **52,390** | **2,290** | **0** | **43,357** | **98,037** |
| Additions | 525 | 28 | 2,097 | 2,550 | **5,200** |
| Adjustments | 0 | 0 | 0 | 0 | **0** |
| Donations | 0 | 0 | 0 | 0 | **0** |
| Revaluation increases /(decreases) recognised in Revaluation Reserve | 427 | 0 | 0 | 0 | **427** |
| Revaluation increases/ (decreases) recognised in the Surplus/ Deficit of the Provision of Services | (413) | 0 | 0 | 0 | **(413)** |
| Derecognition disposals | 0 | 0 | 0 | (608) | **(608)** |
| Derecognition other | 0 | 0 | 0 | (106) | **(106)** |
| Assets Reclassified | 0 | 0 | 0 | 0 | **0** |
| Other Movements in Cost or Valuation | (525) | (28) | 0 | (16) | **(569)** |
| **As at 31 March** | **52,404** | **2,290** | **2,097** | **45,177** | **101,968** |
| | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | |
| **As at 1 April** | **(3,474)** | **(51)** | **0** | **(26,693)** | **(30,218)** |
| Depreciation Charge | (1,211) | (72) | 0 | (4,394) | **(5,677)** |
| Adjustments | 107 | 0 | 0 | 75 | **182** |
| Depreciation Written Out to the Revaluation Reserve | 1,284 | 0 | 0 | 0 | **1,284** |
| Depreciation Written Out to the Surplus/ Deficit on the provision of Services | 0 | 0 | 0 | 0 | **0** |
| Impairment Losses (Reversals) Recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | **0** |
| Impairment Losses (Reversals) Recognised in the Surplus/ Deficit on the provision of Services | 0 | 0 | 0 | 0 | **0** |
| Derecognition disposals | 0 | 0 | 0 | 520 | **520** |
| Derecognition other | 0 | 0 | 0 | 37 | **37** |
| Other Movements in Depreciation and Impairment | 0 | 0 | 0 | 2 | **2** |
| **As at 31 March** | **(3,294)** | **(123)** | **0** | **(30,453)** | **(33,870)** |
| **Net Book Value 2017** | **49,110** | **2,167** | **2,097** | **14,724** | **68,098** |
| **Net Book Value 2016** | **48,916** | **2,239** | **0** | **16,664** | **67,819** |

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation in 2017/18.

| | |
|---|---|
| Land and Building | 15 to 60 years |
| Vehicles | 3 to 10 years |
| IT Equipment | 2 to 10 years |
| Other Plant and Equipment | 3 to 20 years |

## Capital Commitments

As part of the capital programme the OPCC had in progress during 2017/18 a number of contracted schemes which were not completed before 31st March 2018. The potential budgeted capital commitment arising from those schemes is estimated to be £4.2m (£8.4m in 2016/17).

## Revaluations

The OPCC carries out a rolling programme that ensure that all property plant and equipment required to be measured at fair value is revalued at least every 5 years. All valuations were carried out externally by P Holden BSc MRICS on behalf of Drivers Jonas Deloitte. The last full revaluation was 1 April 2009. Valuations of Assets under Construction are valued at current cost until the asset becomes operational and is then valued externally by Drivers Jonas Deloitte. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

Vehicles - professional judgement on the expected life, including mileage estimations and expected use of a vehicle before replacement required, e.g. a Central Motorway Patrol Group (CMPG) vehicle will have a shorter life expectancy than a vehicle used for general patrol duties.

Other furniture, plant and equipment – professional judgement, including likely future replacement based on overall cost of the type of asset (e.g. as technology advances sometimes the lives of assets can increase if advancement has made the product more durable, or decrease if technology is moving faster, and therefore in order to keep assets up to date they are replaced more frequently).

| | Land and Building £000 | Surplus Assets £000 | Assets Under Construction £000 | Assets Held For Sale £000 | Vehicles, Plant and Equipment £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Carried at Historical Cost** | 0 | 0 | 2,380 | 0 | 49,699 | 52,079 |
| Valued at Fair Value as at: | | | | | | |
| 31 March 2018 | 2,247 | (40) | 0 | 1,749 | 0 | 3,956 |
| 31 March 2017 | 8,817 | 0 | 0 | 1,000 | 0 | 9,817 |
| 31 March 2016 | 13,300 | 2,230 | 0 | 7,500 | 0 | 23,030 |
| Up to 31 March 2015 | 30,287 | 60 | 0 | 0 | 0 | 30,347 |
| **Total Gross Cost or Valuation** | **54,651** | **2,250** | **2,380** | **10,249** | **49,699** | **119,229** |

## Loss on Disposal of Non-Current Assets and Intangible Asset

| | Receipts for Sale of Assets £000 | Carrying Amount £000 | Less Depreciation £000 | Less Cost of Sale £000 | Net Loss £000 |
|---|---|---|---|---|---|
| 31 March 2018 | 544 | (1,431) | 741 | (4) | **(151)** |
| 31 March 2017 | 222 | (730) | 560 | 0 | **52** |
| 31 March 2016 | 146 | (2,602) | 2,301 | 0 | **(155)** |
| 31 March 2015 | 226 | (1,742) | 703 | 0 | **(813)** |

### 6.2.2 Intangible Assets

The OPCC accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software. The OPCC does not have any internally generated intangible assets.

All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the OPCC. The useful lives assigned to the major software suites by the OPCC are three to 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. An amortisation of £0.643m was charged to revenue in 2017/18, (£0.651m in 2016/17).

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Balance at Start of Year:** | |
| 9,971 | Gross Carrying Amounts | 10,308 |
| (7,195) | Accumulated Amortisation | (7,846) |
| **2,776** | **Net Carrying Amount at Start of Year** | **2,462** |
| | | |
| 337 | Additions-Purchases | 233 |
| (651) | Amortisation for the Period | (643) |
| **(314)** | **Net Carrying Amount at End of Year** | **(410)** |
| | **Comprising:** | |
| 10,308 | Gross Carrying Amounts | 10,541 |
| (7,846) | Accumulated Amortisation | (8,489) |
| **2,462** | | **2,052** |

Due to the specialised nature and short lives of many of the licences, the OPCC values its intangible assets at cost.

**Intangible Assets under Construction**

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Balance at Start of Year:** | |
| 0 | Gross Carrying Amounts | 0 |
| **0** | **Net Carrying Amount at Start of Year** | **0** |
| | | |
| 0 | Assets Under Construction | 1,484 |
| **0** | **Net Carrying Amount at End of Year** | **1,484** |

### 6.2.3 Long Term Debtors

From 1st October 2013, all air support for Staffordshire Police was transferred to NPAS, (the National Police Aviation Service). As a result NPAS also acquired Staffordshire Police's helicopter (which was shared with West Mercia Police). Part of the arrangement is that NPAS pays set amounts each year in order to negate the effect of existing borrowing which will continue to be provided for in the accounts. The total of these credits amount to £0.920m and will be received over 11 years up to 2023/24.

As the payment of the capital receipt is deferred it has been discounted at a rate of 3.5% to illustrate the 'real' loss from the disposal of the helicopter and the remaining balance of this is shown in Note 6.2.13 as an unusable reserve of £0.364m.

This is balanced by the debtor for these payments which are shown as £0.275m here as a debtor due in more than 12 months with the remaining payment expected being shown as a short term debtor of £0.090m included in the figures in Note 6.2.7.

As future capital receipts are received the debtors and deferred capital receipts will be reduced accordingly, and an additional charge in relation to the unwinding of the deferred capital receipt discount will be made to the CIES.

The revenue account still reflects the charges for the use of the air support service from NPAS, but is shown as a charge for the service, rather than payments made to West Mercia as part of a joint arrangement.

### 6.2.4 Assets Held for Sale

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **7,500** | **Balance Outstanding at Start of Year:** | **8,500** |
| | *Assets Newly Classified as Held For Sale:* | |
| 0 | Property, Plant and Equipment | 1,488 |
| 1,000 | Revaluation Gains | 250 |
| **8,500** | **Balance Outstanding at Year End** | **10,238** |

Unusually the asset held for sale at the start of the year was also held at the end of the year: this is because delays in planning consent held up the sale which was agreed in 2017/18 of the old HQ site. Planning consent was given in March 2018 and the sale should conclude in August 2018.

### 6.2.5 Statement of Major Non-Current Assets

| 2016/17 | | 2017/18 |
|---|---|---|
| 24 | Police Stations / Posts | 24 |
| 1 | Headquarter Sites | 1 |
| 7 | Police Houses | 7 |
| 8 | Other Buildings | 8 |
| 1 | Radio Aerial Sites | 1 |
| 600 | Vehicles | 527 |

The above figures do not include leased premises. The figures stated for vehicles include only those which are currently operational and do not include those awaiting commissioning or disposal.

### 6.2.6 Inventories

During 2017/18 the increase in prices due to currency fluctuations made the acquisition and holding certain stocks a more material item for the OPCC. The closing stock adjustment of £0.500m does however reflect the value of a number of different stock types including ammunition, protective clothing and uniform as at 31st March 2018.

### 6.2.7 Short Term 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. All Debtors were held on the Balance Sheet of the PCC and the OPCC Group during 2016/17 and 2017/18.

| 31 March 2017 Restated £000 | | 31 March 2018 £000 |
|---|---|---|
| 19,698 | Central Government Bodies | 15,059 |
| 3,019 | Other Local Authorities | 7,375 |
| 226 | NHS Bodies | 226 |
| 20 | Public Corporation | - |
| 8,275 | Other Entities and Individuals | 7,182 |
| **31,238** | **Total Short Term Debtors** | **29,842** |

### 6.2.8 Cash and Cash Equivalents

A breakdown of the cash figure in the Balance Sheet is provided below. All cash was held by the PCC and the OPCC Group during 2016/17 and 2017/18.

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| | **Current Assets:** | |
| 29 | Cash in Hand and Bank Current Account | 189 |
| 2,257 | Short Term Deposits | 2,521 |
| 2,286 | **Total Current Cash and Equivalents** | 2,710 |
| | | |
| | **Current Liabilities** | |
| 0 | Bank Overdraft | 0 |
| **2,286** | **Total Current Cash and Equivalents** | **2,710** |

Short term deposits are cash investments made by the OPCC/Group which may be realised within one year.

### 6.2.9 Short Term Creditors

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

| 31 March 2017 Restated £000 | | 31 March 2018 £000 |
|---|---|---|
| 2,918 | Central Government Bodies | 3,716 |
| 2,167 | Other Local Authorities | 5,796 |
| 48 | NHS Bodies | 111 |
| - | Public Corporations and Trading | - |
| 11,901 | Other Entities and Individuals | 12,377 |
| **17,034** | **Total Short Term Creditors** | **22,000** |

### 6.2.10 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.

**Long Term Liabilities**

*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.

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| **1,400** | **Balance as at 1 April** | **1,921** |
| 1,270 | Contribution to provision in year | 785 |
| 2 | Interest on Balances transferred to the provision | - |
| (751) | Net Expenditure in year | (633) |
| **1,921** | **Balance as at 31 March** | **2,073** |

### 6.2.11 Other Long Term Liabilities

Other Long Term Liabilities in the Balance Sheet of £0.271m (£0.542m 31st March 2017) relate to loans outstanding as at 31 March 2017 which are administered by Staffordshire County Council on behalf of the OPCC. Principal repayments of £0.271m have also been made in 2017/18 (£0.271m in 2016/17) and £0.271m (£0.272m in 2016/17) moved to short term borrowing to recognise that this will be paid within 12 months.

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| **1,085** | **Balance as at 1 April** | **542** |
| (271) | Payment of loan | (271) |
| (272) | Transfer to short term creditors | 0 |
| **542** | **Balance as at 31 March** | **271** |

### 6.2.12 Earmarked and Usable Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18. All Usable Reserves are held by the PCC.

| | Restated Balance 1 April £000 | Transfers Out £000 | Transfer In £000 | Balance 31 March £000 |
|---|---|---|---|---|
| General Fund | 5,536 | (2,679) | 0 | **2,857** |
| Reshaping the Future | 4,182 | (4,167) | 0 | **15** |
| Aris (POCA) | 373 | 169 | (39) | **503** |
| Insurance Reserve | 839 | (785) | 0 | **54** |
| Earmarked Reserve Pensions | 1,611 | (1,611) | 0 | **0** |
| Crash Course | 296 | 0 | (107) | **189** |
| Early Adopter Income | 190 | 0 | (176) | **14** |
| Seized Vehicle Fund | 177 | 42 | 0 | **219** |
| MDA Forfeiture Fund | 85 | 0 | (80) | **5** |
| **Total** | **13,289** | **(9,031)** | **(402)** | **3,856** |

- **General Fund** is the minimum amount required to be retained to provide a working balance to cover day to day cash flow requirements a fall back to cover exceptional unforeseen financial and operational risks, which also includes police pensions.

- **Reshaping the Future Reserves** – this reserve has been created to help fund the transformation currently taking place in order to achieve the required savings to balance future budgets. These reserves will cover the cost of external advisors, redundancy and some investments required in order to achieve more efficiencies and reduce future costs for the force.

- **Insurance Reserve** - provides for the self-funding of certain uninsurable risks, and also to cover the excess (£100,000) for any unknown claims before the insurance cover is applied and the aggregate stop loss for each year. The reserve covers amounts falling outside the definition of the insurance provision as they are unknown claims which could occur from past or future events.

- **Earmarked pensions reserve** – This reserve has been created as the Local Government Pension Scheme revalue their pension scheme every triannual and the OPCC are required to make contributions towards the scheme.

- **Other Earmarked reserves** – the OPCC has other funding sources which are restricted in terms of the purpose or timing of their use and these have been established on the balance sheet during 2017/18.

In addition to the Earmarked and Usable reserves the PCC was awarded a grant in 2016/17 for Police Control Room upgrades required for transition onto Emergency Services Network (ESN). Work on this took place in 2017/18 however the project has not yet completed and therefore the grant has been carried forward in the reserves section as capital grant unapplied.

### 6.2.13 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.

| | Group | | | |
|---|---|---|---|---|
| | Balance 1 April £000 | Transfers Out £000 | Transfer In £000 | Balance 31 March £000 |
| Accumulated Absences Account | (3,824) | 0 | 448 | (3,376) |
| Revaluation Reserves | 8,940 | (197) | 1,203 | 9,946 |
| Capital Adjustment Account | 14,325 | (6,649) | 3,142 | 10,818 |
| Deferred Capital Receipts | 444 | (80) | 0 | 364 |
| Pension Reserve | (2,131,516) | (120,863) | 260,298 | (1,992,081) |
| Collection Fund Adjustment Account | 1,602 | 0 | 21 | 1,623 |
| **Total** | **(2,110,029)** | **(127,789)** | **265,113** | **(1,972,706)** |

***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 majority of the Reserve relates to Police Officers and Staff who are under the direction and control of the Chief Constable. Therefore 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 PCC Single Entity below relate to the balances on the Reserve that relate to those staff that were under the direct control of the PCC as at 31st March 2017 and 31st March 2018.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **(3,522)** | **Balance as at 1 April** | **(3,824)** |
| 3,522 | Settlement or Cancellation of Accrual Made at the End of the Preceding Year. | 3,824 |
| (3,824) | Amounts Accrued at the End of the Current Year | (3,376) |
| (302) | Amount by Which Officer Remuneration Charged to the CIES on Accruals Basis is Different From Remuneration Chargeable in the Year in Accordance with Statutory Requirements. | 448 |
| **(3,824)** | **Balance as at 31 March** | **(3,376)** |

### *Revaluation Reserve*

The Revaluation Reserve contains the gains made by the OPCC Group arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **6,481** | **Balance as at 1 April** | **8,940** |
| 1,634 | Upwards Revaluation of Assets | 658 |
| (207) | Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/ Deficit on the Provision of Services | (155) |
| 0 | Reversal of Impairment Which Should have been charged to CIES | 0 |
| 1,427 | | 503 |
| 1,284 | Additional Adjustment to Depreciation as a Result of Restatement of Impairments | 545 |
| 0 | Reversal of Previous Impairments Written Out to the Capital | 0 |
| **2,711** | **Surplus or Deficit on Revaluation of Non Current Assets** | **1,048** |
| 0 | Adjustments for Last Year | 0 |
| (252) | Difference Between FV Depreciation and Historical Costs Dep'n | (42) |
| 0 | Accumulated Gains on Assets Sold or Scrapped | 0 |
| **8,940** | **Balance as at 31 March** | **9,946** |

### *Collection Fund Adjustment Account*

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

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 1,597 | **Balance as at 1 April** | 1,602 |
| 5 | Amount by which Council Tax Income Credited to CIES is Different From Council Tax Income Calculated for the Year in Accordance with Statutory Requirements | 21 |
| **1,602** | **Balance as at 31 March** | **1,623** |

### *Capital Adjustment Account*

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with amounts set aside by the OPCC Group as finance for the cost of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 18,562 | **Balance as at 1 April** | 14,325 |
| | *Reversal of items Relating to Capital Expenditure Debited or Credited to the CIES:* | |
| (300) | Adjustments | (300) |
| (5,495) | Charges for Depreciation and Impairment of Non-Current Assets | (3,744) |
| 0 | De-recognition and Write Off to Impairments of Non-Current Assets using Revaluation Gains in Year | 0 |
| (413) | Revaluation Losses on Property, Plant and Equipment | (179) |
| (651) | Amortisation of Intangible Assets | (643) |
| 271 | Revenue Expenditure Funded from Capital Under Statue | 771 |
| (170) | Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/ Loss on Disposal to the CIES | (694) |
| 0 | Adjusting Amounts Written Down Out of the Revaluation Reserve | 0 |
| **(6,758)** | **Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year** | **(4,789)** |
| | *Capital Financing in the Year:* | |
| 222 | Use of Capital Receipts Reserve to Finance New Capital Expenditure | 124 |
| 833 | Capital Grant and Contribution Credited to the CIES that have been Applied to Capital Financing | 737 |
| 0 | Application of Grants to Capital Financing from the Capital Grants Unapplied Account | 0 |
| 2,045 | Statutory Provision for the Financing of the Capital Investment Charged Against the General Fund | 2,204 |
| (579) | Capital Expenditure Charged Against the General Fund | (1,783) |
| **2,521** | | **1,282** |
| **14,325** | **Balance as at 31 March** | **10,818** |

***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 OPCC Group 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 OPCC 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 OPCC Group has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2016/17<br>£000 | | 2017/18<br>£000 |
|---|---|---|
| **(1,805,669)** | **Balance as at 1 April** | **(2,131,516)** |
| (325,758) | Re-measurement of the net defined benefit Liability | 143,452 |
| (111,518) | Reversal of Items Relating to Retirement Benefits Debited or Credited to CIES | (120,746) |
| 71,491 | Employers Pensions Contribution and Direct Payments to Pensioners Payable in the Year | 75,298 |
| 39,938 | Additional Contribution to the Pension Fund Balance the Deficit on the Fund Account | 41,431 |
| **(2,131,516)** | **Balance as at 31 March** | **(1,992,081)** |

## 6.2.14 Financial Instruments

Financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The new borrowing interest rates at the 31st March 2018 for all Public Works Loan Board (PWLB) loans and the market rate applicable at the 31st March 2018 for investments;
- No early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- Short term debtors and creditors are carried at cost as this is an approximation of their fair value. Total short term financial assets and liabilities relating to debtors and creditors are included in Notes 6.2.7 and 6.2.9.
- The fair values in 2017/18 are calculated under IFRS 13 which under the definition the fair value is calculated as the price that would be received to sell an asset or paid to transfer its liability.

| | AS AT 31 MARCH 2017 | | AS AT 31 MARCH 2018 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| **Financial Liabilities** | | | | |
| PWLB Long Term Borrowing | 39,550 | 55,100 | 58,800 | 73,413 |
| | 39,550 | 55,100 | 58,800 | 73,413 |
| PWLB Short Term Borrowing | 1,750 | 1,805 | 1,250 | 1,273 |
| Short Term Borrowing from OLAS | 17,271 | 17,780 | 10,271 | 10,005 |
| Interest due within one year | 188 | 188 | 235 | 235 |
| | 19,209 | 19,773 | 11,756 | 11,513 |
| Creditors which are financial instruments | 6,735 | 6,735 | 12,922 | 12,922 |
| **Total Liability** | **65,494** | **81,608** | **83,478** | **97,848** |

| | AS AT 31 MARCH 2017 Carrying Amount £000 | AS AT 31 MARCH 2017 Fair Value £000 | AS AT 31 MARCH 2018 Carrying Amount £000 | AS AT 31 MARCH 2018 Fair Value £000 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| **Short Term Investments** | | | | |
| Fixed Term Deposits | 0 | 0 | 0 | 0 |
| **Total Short Term Investments** | **0** | **0** | **0** | **0** |
| **Cash Equivalents** | | | | |
| Cash Equivalents | 86 | 86 | 210 | 210 |
| Fixed Term Deposits | 2,200 | 2,200 | 2,500 | 2,500 |
| Money Market Funds | 0 | 0 | 0 | 0 |
| **Total Cash and Cash Equivalent** | **2,286** | **2,286** | **2,710** | **2,710** |
| Debtors which are financial instruments | 6,584 | 6,584 | 7,148 | 7,148 |
| **Total Assets** | **8,870** | **8,870** | **9,858** | **9,858** |

Financial Assets appear in two places on the Balance Sheet, either as Short Term Investments or as Cash Equivalents within the Cash and Cash Equivalents figure. Their fair values are calculated by using the net present value approach, using a discount rate that should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation for an instrument with a duration that is equal to the outstanding period from valuation date to maturity.

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

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the OPCC might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the OPCC as a result of changes in such measures as interest rates and stock market movements.

The OPCC's Treasury Management function is sub-contracted to Staffordshire County Council and the Council's management of treasury risks actively works to minimise the OPCC's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Group has fully adopted the CIPFA's *Treasury Management in the Public Services: Code of Practice* and has written Treasury Management practice notes dealing with different aspects of the function.

### *Credit risk*

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities, as well as credit exposure to customers. It is the policy of the OPCC to loan money with only a limited number of high quality banks and building societies and during the past financial year the OPCC has restricted lending to the following bodies with the amounts limited as shown:

- The UK Government directly (unlimited amount)
- Non- charge capped UK Local Authorities (unlimited amount)
- The OPCC's banker, Lloyds Bank (£0.5m) – see below.

| | As at 31 March £000 | Historical Experience of Default % | Historical Experience Adjusted for Market Conditions % | Estimated Maximum Exposure to default and Collectability £000 |
|---|---|---|---|---|
| Deposits with Banks and other Financial Institutions | 2,500 | N/A | N/A | N/A |
| Customers | 3,035 | 3.0% | 3.1% | 10 |

The following analysis summarises the potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Group expects full repayment on the due date of deposits placed with its counterparties.

The Group does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Group allows credit to some customers and £1.135m of the £3,035m balance (£0.511m of £2.767m in 2016/17) is past its due date for payment but has not been impaired. The past due amount can be analysed by age as follows:

| | AS AT 31 MARCH 2017 £000 | AS AT 31 MARCH 2018 £000 |
|---|---|---|
| Less than Three Months | 470 | 409 |
| Three to Six Months | 25 | 424 |
| Six months to One Year | 3 | 302 |
| More Than One Year | 12 | - |
| **Total** | **510** | **1,135** |

### *Liquidity risk*

The OPCC has access to a facility to borrow from the Public Works Loan Board. As a result there is no significant risk of being unable to raise finance to meet its commitments. Safeguards are in place to ensure that a significant proportion of borrowing does not mature for repayment at any one time in the future, to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The policy is to ensure that no more than 10% of loans are due to mature within any financial year, through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The lender and maturity analysis of financial liabilities at nominal value is as follows:

| | AS AT 31 MARCH 2017 £000 | AS AT 31 MARCH 2018 £000 |
|---|---|---|
| **Analysis by lender** | | |
| Public Work Loan Board | 41,300 | 60,050 |
| Other Local Authorities | 17,271 | 10,271 |
| | **58,571** | **70,321** |
| **Analysis by Maturity** | | |
| Less Than One Year | 19,021 | 11,521 |
| Between One To Two Years | 1,250 | 2,000 |
| Between Two To Five Years | 9,600 | 10,300 |
| More Than Five Years | 28,700 | 46,500 |
| **Total** | **58,571** | **70,321** |

### *Market risk*

Interest rate risk

The OPCC is exposed to interest rate risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the OPCC Group. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates - the fair value of the liabilities will fall
- Investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund on a pound for pound basis. The OPCC has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 20% of its borrowings in variable rate loans. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

At 31st March 2018, if interest rates had been 1% higher, with all other variables held constant, the financial effect would have been:

| | £000 |
|---|---|
| Increase in Interest Receivable on Variable Rate Investments | 53 |
| **Impact on CIES** | **53** |
| Decrease in Fair Value of Fixed Rate Borrowing Liabilities | 9,560 |
| (No Impact on CIES) | 0 |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### ***Foreign exchange risk***

The Group or OPCC single entity has no financial assets, or liabilities, denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 6.3 Other Notes

### 6.3.1 Termination Benefits and Exit Packages

During 2017/18 the Group approved 22 voluntary redundancies and early retirements (11 in 2016/17) at a total cost of £0.606m (£0.442m 2016/17). A breakdown of the total cost and number of exit packages are shown below:

| Exit Package Cost Band | Number of Exit Packages | | Total Cost of Exit Packages in | |
|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| | | | £ | £ |
| £0 - £20,000 | 4 | 5 | 47,888 | 57,097 |
| £20,001 - £40,000 | 4 | 16 | 130,750 | 463,939 |
| £40,001 - £60,000 | 1 | 0 | 40,753 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 1 | 1 | 96,057 | 84,527 |
| £100,001 - £120,000 | 1 | 0 | 126,813 | 0 |
| **Total** | **11** | **22** | **442,261** | **605,563** |

### 6.3.2 Officers Remuneration

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

| Remuneration Band | Group Number of Employees | |
|---|---|---|
| | 2016/17 | 2017/18 |
| £50,000 - £54,999 | 86 | 126 |
| £55,000 - £59,999 | 42 | 42 |
| £60,000 - £64,999 | 13 | 17 |
| £65,000 - £69,999 | 5 | 5 |
| £70,000 - £74,999 | 3 | 6 |
| £75,000 - £79,999 | 8 | 6 |
| £80,000 - £84,999 | 0 | 4 |
| £85,000 - £89,999 | 3 | 1 |
| £90,000 - £94,999 | 1 | 1 |
| £95,000 - £99,999 | 0 | 0 |
| £100,000 - £104,999 | 1 | 1 |
| £105,000 - £109,999 | 0 | 1 |
| £110,000 - £114,999 | 0 | 0 |
| £115,000 - £119,999 | 0 | 1 |
| £120,000 - £124,999 | 1 | 1 |
| £125,000 - £129,999 | 0 | 0 |
| £130,000 - £134,999 | 0 | 0 |
| £135,000 - £139,999 | 0 | 0 |
| £140,000 - £144,999 | 0 | 0 |
| £145,000 - £149,999 | 1 | 0 |
| **Total** | **164** | **212** |

The salary bandings where first set in 2003 and the number of employees now fall into this note is due to the marginal pay award, accumulated overtime. A significant change is being at the bottom end of the table as Sergeants begin to fall into the bottom banding when total remuneration (overtime, allowances etc.) is considered.

## 6.3.3 Disclosure of Remuneration for Senior Executives 2017/18

| Post Holder Information | Notes | Salary £ | Bonuses and Allowances £ | Benefits in Kind £ | Other Payments £ | Total Remuneration Excluding Pension Contribution £ | Pension Contribution £ | Total Remuneration £ |
|---|---|---|---|---|---|---|---|---|
| **Senior Executives of the Chief Constable** | 1 | | | | | | | |
| Chief Constable (A) | 2,3,6 | 114,247 | 0 | 4,225 | 2,402 | 120,874 | 24,335 | 145,208 |
| Chief Constable (B) | 2 | 37,089 | 0 | 516 | 767 | 38,372 | 0 | 38,372 |
| Deputy Chief Constable | 2,3 | 120,127 | 0 | 2,080 | 2,635 | 124,842 | 2,120 | 126,962 |
| Assistant Chief Constable A | 2,3 | 105,995 | 0 | 3,061 | 2,635 | 111,691 | 22,577 | 134,268 |
| Assistant Chief Constable B | 2,3 | 101,212 | 0 | 2,055 | 2,635 | 105,902 | 21,803 | 127,704 |
| Director of People and Resources | 4 | 48,266 | 0 | 0 | 0 | 48,266 | 7,481 | 55,747 |
| Chief Finance Officer | 5 | 1,626 | 0 | 0 | 0 | 1,626 | 0 | 1,626 |
| Sub Total Chief Constable | | **528,562** | **0** | **11,938** | **11,073** | **551,572** | **78,315** | **629,888** |
| | | | | | | | | |
| **Senior Executives of the OPCC** | | | | | | | | |
| Police and Crime Commissioner | | 75,000 | 0 | 0 | 0 | 75,000 | 0 | 75,000 |
| Deputy Police and Crime Commissioner | | 35,000 | 0 | 0 | 0 | 35,000 | 5,425 | 40,425 |
| Chief Executive | | 94,509 | 0 | 0 | 0 | 94,509 | 14,649 | 109,158 |
| Director of Finance and Performance | | 83,054 | 0 | 0 | 0 | 83,054 | 12,873 | 95,928 |
| Sub Total OPCC | | **287,564** | **0** | **0** | **0** | **287,564** | **32,947** | **320,511** |
| **Group Total** | | **816,125** | **0** | **11,938** | **11,073** | **839,136** | **111,263** | **950,399** |

**Notes**

Note (1): During this period the duties of the Section 151 officer role have been discharged by interim appointments with payments to third parties totalling £195,566
Note (2): Other Payments represent Housing Allowance.
Note (3): Benefits in Kind represents private use of fore vehicle.
Note (4): Director of People and Resources from 16th October 2017
Note (5): Chief Finance Officer from 23rd March 2018
Note (6): New Chief Constable appointed on 19th June 2017

### 6.3.4 Disclosure of Remuneration for Senior Executives 2016/17

| Post Holder Information | Notes | Salary £ | Bonuses and Allowances £ | Benefits in Kind £ | Other Payments £ | Total Remuneration Excluding Pension Contribution £ | Pension Contribution £ | Total Remuneration £ |
|---|---|---|---|---|---|---|---|---|
| **Senior Executives of the Chief Constable** | 1 | | | | | | | |
| Chief Constable | 2,3 | 144,171 | 0 | 1,935 | 3,066 | 149,172 | 0 | 149,172 |
| Deputy Chief Constable | 2,3 | 118,938 | 0 | 2,001 | 2,635 | 123,574 | 25,334 | 148,908 |
| Assistant Chief Constable A | 2,3 | 22,729 | 0 | 379 | 578 | 23,686 | 4,841 | 28,527 |
| Assistant Chief Constable B | 2,3 | 98,682 | 0 | 3,208 | 2,635 | 104,525 | 21,019 | 125,544 |
| Assistant Chief Constable C | 2,3,4 | 64,962 | 0 | 1,363 | 1,756 | 68,081 | 13,837 | 81,918 |
| Sub Total Chief Constable | | **449,482** | **0** | **8,886** | **10,670** | **469,038** | **65,031** | **534,069** |
| **Senior Executives of the OPCC** | 5 | | | | | | | |
| Police and Crime Commissioner | | 75,000 | 0 | 0 | 0 | 75,000 | 0 | 75,000 |
| Deputy Police and Crime Commissioner | | 30,833 | 0 | 0 | 0 | 30,833 | 4,779 | 35,612 |
| Chief of Staff | 6 | 90,272 | 1,239 | 0 | 0 | 91,511 | 13,992 | 105,503 |
| Sub Total OPCC | | **196,105** | **1,239** | **0** | **0** | **197,344** | **18,771** | **216,115** |
| **Group Total** | | **645,587** | **1,239** | **8,886** | **10,670** | **666,382** | **83,802** | **750,184** |

**Notes**

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. Benefits in Kind represents private use of Force vehicle.
4. Assistant Chief Constable from 1st August 2016
5. During this period the duties of the Section 151 Officer role have been discharged by interim appointments with payments to third parties totalling £84,484.
6. Essential User Car Allowance paid to Exec not in receipt of a Force Vehicle.

### 6.3.5 Related Party Transactions

The Group is required to disclose material transactions with related parties, that is bodies or individuals that have the potential to control or influence the Group or to be controlled or influenced by the Group. The OPCC's staff and members, senior officers and departmental heads were contacted to obtain the required declarations.

The Group 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:

- Central Government – it has effective control over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Details of transactions with government departments are set out in the disclosure notes.

- Other Local Authorities and Public Bodies – transactions have been disclosed elsewhere in the notes to the Financial Statements.

- Members, senior officers and other employees – there are no known related party transactions.

- Partnerships, Trusts, and Associated Organisations – three members of the PCC management team, the PCC, Deputy PCC and Chief of Staff are on the governing body of the Staffordshire Social Responsibility Fund. During 2017/18 the PCC made a grant of £20,000 to this organisation which supported its work including the operation of the Staffordshire Police cadet force.

Precept funding was received from the following local authorities during the year (amounts are shown on an accruals basis):

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 11,256 | Stoke-on-Trent City Council | 11,330 |
| 8,049 | Stafford Borough Council | 8,348 |
| 6,674 | South Staffordshire District Council | 6,867 |
| 6,547 | Lichfield District Council | 6,735 |
| 6,514 | Newcastle-under-Lyme Borough Council | 6,850 |
| 6,433 | East Staffordshire Borough Council | 6,597 |
| 5,812 | Staffordshire Moorlands District Council | 5,969 |
| 4,927 | Cannock Chase District Council | 5,089 |
| 3,795 | Tamworth Borough Council | 3,919 |
| **60,007** | | **61,704** |

### 6.3.6 Pooled Budgets and Joint Operations

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

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

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

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

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

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

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

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

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

Regional Organised Crime Unit (ROCU) with West Midlands Police

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

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

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

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

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

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

Firearms Licensing
On 1st 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 £0.154m has been made by West Midlands Police towards the cost of the service during 2017/18 (£0.174m in 2016/17). This figure is included in the CIES of the Group. A formal agreement is in place.

### 6.3.7 Member and PCC Allowances

Allowances and expenses for Ethics, Transparency & Audit Panel members, the PCC and the Deputy PCC in 2017/18 amounted to £29,599 (£28,323 in 2016/17).

### 6.3.8 Proceeds of Crime Act 2002

The Group has separate bank accounts for temporarily holding third party funds seized as suspected proceeds of crime. At 31st March 2018 the balance on this account was £1,031,843 (£999,598 at 31st March 2017). This sum does not appear on the Balance Sheet of the OPCC Group accounts.

### 6.3.9 Contingent Liabilities

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

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

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

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

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

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

### 6.3.10 Events after the Balance Sheet date

There are no events after the balance sheet date.

## 6.4 Cash Flow Notes

### 6.4.1 Adjustments to net (Surplus) or deficit on the provision of services for non-cash movements

| Restated 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| (5,495) | Depreciation | (3,744) |
| (413) | (Downward Valuations)/Upward Valuations | (179) |
| (651) | Amortisation of intangible assets | (643) |
| (553) | Enhancement Spend | (352) |
| (579) | Deferred Charges | (1,783) |
| 252 | Difference between depreciation on a historic cost and fair value basis | 42 |
| 3,448 | (Increase) / decrease in revenue creditors | (3,277) |
| 13,689 | Increase / (decrease) in revenue debtors | (1,396) |
| 415 | Increase / (decrease) in inventories | 84 |
| (89) | Movement in pension liability | (4,017) |
| (521) | Movement in provisions | (152) |
| (170) | Carrying amount of non-current assets sold | (694) |
| **9,332** | **Adjustment to net (surplus) or deficit on the provisions of services for non-cash movements** | **(16,110)** |

### 6.4.2 The Surplus/Deficit on the provision of services has been adjusted for investing and financing activities

| Restated 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 222 | Proceeds from the sale of property, plant and equipment | 544 |
| (1,164) | Capital Grants | 737 |
| **(942)** | **Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities** | **1,281** |

### 6.4.3 Investing Activities

| Restated 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 6,705 | Purchase of property, plant and equipment and intangible assets | 11,294 |
| 0 | Other receipts from investing activities | 0 |
| **6,705** | **Investing Activities** | **11,294** |

# Section 7

# SUPPLEMENTARY FINANCIALSTATEMENT AND NOTES

## 7.1 Police Pension Scheme for England and Wales

### 7.1.1 Pension Fund Accounts 2016/17

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

### 7.1.2 Notes to Supplementary Financial Statements

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

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

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

#### 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.

Section 8

# PCC FINANCIAL STATEMENTS AND NOTES

## 8.1 Introduction

The Accounting Code of Practice requires that where an authority has material financial interests and a significant level of control over one or more organisations, it should prepare Group Financial Statements. The financial statements in section 3 considers the Group Financial statements. Where this section cover the single entity financial statements provide a picture to the Police and crime Commissioner the financial activities and the resources employed in carrying out those activities as a single entity. The single entity accounts contain core financial statements similar to those included in the Group financial statements.

The following pages include:

- PCC Comprehensive Income and Expenditure Statement
- PCC Balance Sheet
- PCC Movement in Reserves Statement
- PCC Cash Flow Statement
- PCC Expenditure and Funding Analysis
- Notes to the PCC Accounts -
    - Comprehensive Income and Expenditure Notes
    - Balance Sheet Notes
    - Other Notes
    - Cash Flow Notes

## 8.2 Core PCC Single Entity Financial Statements

### 8.2.1 PCC Single Entity Comprehensive Income and Expenditure Statement

The purpose of this statement is shown in section 3.1 of the Group Accounts.

| 2016/17 Net Expenditure £000 | | Notes | 2017/18 Net Expenditure £000 |
|---|---|---|---|
| (2,526) | Grants & Contributions | 8.4.5 | (2,396) |
| 0 | Reimbursements | | 0 |
| 0 | Sales, Fees & Charges | | 0 |
| 0 | Other Income | | 0 |
| **(2,526)** | **Total Income** | | **(2,396)** |
| | | | |
| 0 | Police Officer Pay and Allowances | | 0 |
| 1,145 | Police Staff Pay and Allowances | | 1,330 |
| 22 | Other Employee Expenses | | 12 |
| 0 | Police Pensions | | 0 |
| 0 | Premises | | 0 |
| 33 | Transport | | 22 |
| 1,026 | Supplies and Services | | 507 |
| 5,915 | Agency and Contracted Services | | 5,471 |
| 0 | Depreciation, Amortisation and Impairment | | 0 |
| 2 | Non Distributed Costs | | 5 |
| **8,143** | **Total Expenditure** | | **7,347** |
| **5,617** | **Cost of Services Before Intra-group Funding** | | **4,951** |
| 180,261 | Intra-group Funding | 8.4.1 | 185,585 |
| **185,878** | **Cost of Services** | | **190,536** |
| (52) | Other operating expenditure | 6.2.1 | 151 |
| 1,766 | Financing and Investment Income and Expenditure | 8.4.2 | 1,869 |
| (179,560) | Taxation and Non-Specific Grant Income | 6.1.3 | (179,341) |
| **8,032** | **(Surplus) or deficit on Provision of Services** | | **13,215** |
| (2,711) | Surplus or Deficit on revaluation of non current assets | | (1,048) |
| 473 | Re-measurement of the net defined benefit liabilities | 10.1.12 | 3 |
| **(2,238)** | **Other Comprehensive (Income) and Expenditure** | | **(1,045)** |
| | | | |
| **5,794** | **Total Comprehensive (Income) and Expenditure** | | **12,170** |

## 8.2.2 PCC Single Entity Balance Sheet

The purpose of this statement is shown in section 3.2 of the Group Accounts

| 31 March 2017 £000 | | Notes | 31 March 2018 £000 |
|---|---|---|---|
| 51,277 | Land and Buildings | 6.2.1 | 53,004 |
| 14,724 | Vehicles, Plant and Equipment | 6.2.1 | 17,459 |
| 2,462 | Intangible Assets | 6.2.2 | 2,052 |
| 2,097 | Assets under construction | 6.2.1 & 6.2.2 | 2,381 |
| 364 | Long-Term Debtors | 6.2.3 | 276 |
| **70,924** | **Long Term Assets** | | **75,171** |
| 416 | Inventories | 6.2.6 | 500 |
| 8,500 | Assets Held for Sale | 6.2.4 | 10,238 |
| 0 | Short Term Investments | 6.2.14 | 0 |
| 2,286 | Cash and Cash Equivalents | 6.2.8 | 2,710 |
| 31,237 | Short Term Debtors | 8.5.1 | 29,842 |
| **42,439** | **Current Assets** | | **43,290** |
| 0 | Bank Overdraft | 6.2.8 | 0 |
| (19,209) | Short Term Borrowing | 6.2.14 | (11,756) |
| (15,151) | Short Term Creditors | 8.5.2 | (20,716) |
| **(34,360)** | **Current Liabilities** | | **(32,472)** |
| 0 | Provisions | 6.2.10 | 0 |
| (39,550) | Long-Term Borrowing | 6.2.14 | (58,800) |
| (542) | Other Long Term Liabilities | 6.2.11 | (271) |
| (1,773) | Liability Related to Defined Benefit Pension Schemes | 8.5.3 | (1,950) |
| **(41,865)** | **Long Term Liabilities** | | **(61,021)** |
| **37,138** | **Net Liabilities** | | **24,968** |
| | **Financed by:** | | |
| | Usable Reserves: | | |
| (5,536) | General Fund | 6.2.12 | (2,857) |
| (7,753) | Earmarked Reserves | 6.2.12 | (999) |
| (331) | Capital Receipt Unapplied | | (331) |
| (23,518) | Unusable Reserves | 8.5.3 | (20,781) |
| **(37,138)** | **Total Reserves** | | **(24,968)** |

## 8.2.3 PCC Single Entity Movement in Reserves Statement (MIRS)

The purpose of this statement is shown in section 3.3 of the Group Accounts.

| | Notes | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied Account £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total OPCC Reserves £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 April 2016** | | 6,282 | 10,783 | - | - | 17,065 | 25,869 | 42,934 |
| ***Movement in Reserves During 2016/17:*** | | | | | | | | |
| Total Comprehensive Income and Expenditure | 8.2.1 | (8,036) | - | - | - | (8,036) | 2,238 | (5,798) |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations | 8.3.2 | 4,260 | - | - | 331 | 4,591 | (4,591) | - |
| **Net increase/(decrease) before Transfers to Earmarked Reserves** | | **(3,776)** | **-** | **-** | **331** | **(3,445)** | **(2,353)** | **(5,798)** |
| Transfers To/From Earmarked Reserves | | 3,030 | (3,030) | - | - | - | - | - |
| **Decrease in 2016/17** | | **(746)** | **(3,030)** | **-** | **331** | **(3,445)** | **(2,353)** | **(5,798)** |
| **Balance at 31 March 2017 Carried Forward** | | **5,536** | **7,753** | **-** | **331** | **13,620** | **23,518** | **37,136** |
| ***Movement in Reserves During 2017/18:*** | | 5,536 | 7,753 | - | 331 | 13,620 | 23,518 | 37,136 |
| Total Comprehensive Income and Expenditure | 8.2.1 | (13,215) | - | - | - | (13,215) | 1,045 | (12,170) |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations | 8.3.1 | 3,782 | - | - | - | 3,782 | (3,782) | - |
| **Net increase/(decrease) before Transfers to Earmarked Reserves** | | **(9,433)** | **-** | **-** | **-** | **(9,433)** | **(2,737)** | **(12,170)** |
| Transfers To/From Earmarked Reserves | | 6,754 | (6,754) | - | - | - | - | - |
| **Decrease in 2017/18** | | (2,679) | (6,754) | - | - | (9,433) | (2,737) | (12,170) |
| **Balance at 31 March 2018 Carried Forward** | | **2,857** | **999** | **-** | **331** | **4,187** | **20,781** | **24,966** |

### 8.2.4 PCC Single Entity Cash Flow Statement

The purpose of this statement is shown in section 3.4 of the Group Accounts.

| | Notes | Restated PCC 2016/17 £000 | PCC 2017/18 £000 |
|---|---|---|---|
| Net (Surplus) or deficit on the provision of services | 8.2.1 | 8,036 | 13,215 |
| Adjustment to net (surplus) or deficit on the provisions of services for non-cash movements | 8.7 | 9,618 | (12,714) |
| Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | 6.4.2 | (941) | 1,281 |
| **Net Cash Flow operating Activities** | | **16,713** | **1,782** |
| Investing Activities | 6.4.3 | 6,705 | 11,294 |
| Financing Activities | | (22,542) | (13,500) |
| **Net Increase or decrease in cash and cash equivalents** | | **876** | **(424)** |
| Cash and cash equivalents at the beginning of the reporting period | | **(3,162)** | **(2,286)** |
| **Cash and Cash equivalent at the end of the reporting period** | | **(2,286)** | **(2,710)** |

## 8.3 Expenditure and Funding Analysis

| 2016/17 General Fund (Net Expenditure) £000 | 2016/17 Adjustments Between Funding Basis and IFRS Basis £000 | 2016/17 Reallocation £000 | 2016/17 CIES (Net Expenditure) £000 | | 2017/18 General Fund (Net Expenditure) £000 | 2017/18 Adjustments Between Funding Basis and IFRS Basis £000 | 2017/18 Reallocation £000 | 2017/18 CIES (Net Expenditure) £000 |
|---|---|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | Police Officer Pay and Allowances | 0 | 0 | 0 | 0 |
| 1,090 | 55 | 0 | 1,145 | Police Staff Pay and Allowances | 1,231 | 99 | 0 | 1,330 |
| 22 | 0 | 0 | 22 | Other Employee Expenses | 12 | 0 | 0 | 12 |
| 0 | 0 | 0 | 0 | Police Pensions | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | Premises | 0 | 0 | 0 | 0 |
| 33 | 0 | 0 | 33 | Transport | 22 | 0 | 0 | 22 |
| 1,026 | 0 | 0 | 1,026 | Supplies and Services | 507 | 0 | 0 | 507 |
| 5,915 | 0 | 0 | 5,915 | Agency and Contracted Services | 5,471 | 0 | 0 | 5,471 |
| 0 | 0 | 0 | 0 | Depreciation, Impairment etc | 0 | 0 | 0 | 0 |
| 0 | 2 | 0 | 2 | Non Distributed Costs | 0 | 5 | 0 | 5 |
| **8,086** | **57** | **0** | **8,143** | **Net Cost of Services** | **7,243** | **104** | **0** | **7,347** |
| (2,526) | 0 | 0 | (2,526) | Grants & Contributions | (2,396) | 0 | 0 | (2,396) |
| 0 | 0 | 0 | 0 | Reimbursements | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | Sales, Fees & Charges | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | Other Income and Expenditure | 0 | 0 | 0 | 0 |
| 172,368 | 5,370 | 2,523 | 180,261 | Intra-group Funding | 178,975 | 4,214 | 2,396 | 185,585 |
| **177,928** | **5,427** | **2,523** | **185,878** | **Net Cost of Services** | **183,822** | **4,318** | **2,396** | **190,536** |
| 0 | (52) | 0 | (52) | (Surplus) or Deficit on disposal of assets | 0 | 151 | 0 | 151 |
| 1,720 | 46 | 0 | 1,766 | Financing and Investment Income and Expenditure | 1,819 | 50 | 0 | 1,869 |
| (178,396) | (1,164) | 0 | (179,560) | Taxation and Non-Specific Grant Income | (178,604) | (737) | 0 | (179,341) |
| **1,252** | **4,257** | **2,523** | **8,032** | **(Surplus) or deficit on Provision of Services** | **7,037** | **3,782** | **2,396** | **13,215** |
| 0 | (2,711) | 0 | (2,711) | (Surplus) or Deficit on revaluation of non current assets | 0 | (1,048) | 0 | (1,048) |
| 0 | 473 | 0 | 473 | Re-measurement of the net defined benefit liabilities | 0 | 3 | 0 | 3 |
| (1,597) | 1,597 | (2,523) | 0 | Transfers To/(From) Earmarked Reserves | (4,358) | 4,358 | (2,396) | 0 |
| (345) | 3,616 | 0 | 5,794 | **Net Surplus / Deficit funded from General Fund** | **2,679** | **7,095** | **0** | **12,170** |
| 6,282 | | | | **Opening General Fund Balance at 1 April** | 5,536 | | | |
| (1,091) | | | | Surplus or (Deficit) on General Fund | 0 | | | |
| 345 | | | | Transfers To/(From) Earmarked Reserves | (2,679) | | | |
| **5,536** | | | | **Closing General Fund at 31 March** | **2,857** | | | |

## Notes to EFA

| Adjustments from General Fund to arrive at the CIES | Capital £000 | Pensions £000 | Other £000 | Total £000 |
|---|---|---|---|---|
| Police Staff Pay and Allowances | - | (120) | 21 | **(99)** |
| Non Distributed Costs | - | (5) | - | **(5)** |
| **Net Cost of Services** | 0 | (125) | 21 | **(104)** |
| | | | | |
| Intra-group Funding | (4,216) | - | 2 | **(4,214)** |
| Loss or gain on disposal of fixed assets | (151) | - | - | **(151)** |
| Financing and Investment Income and Expenditure | - | (50) | - | **(50)** |
| Taxation and Non-Specific Grant Income | 737 | - | - | **737** |
| **Difference between General Fund and CIES Surplus or Deficit on the Provision Of Services** | (3,630) | (175) | 23 | **(3,782)** |

### 8.3.1 Adjustments between Accounting Basis and IFRS Basis

| | 2017/18 | | | |
|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 |
| **Adjustments Primarily Involving the Capital Adjustment Account:** | | | | |
| *Reversal of items Debited or Credited to the CIES:* | | | | |
| Adjustments | 0 | 0 | 0 | 0 |
| Charges for depreciation and impairment of non Current assets | (3,744) | 0 | 0 | 3,744 |
| Revaluation losses on Property Plant and Equipment & Other | (179) | 0 | 0 | 179 |
| Enhancement spend | (352) | 0 | 0 | 352 |
| Amounts of non current assets written off on disposal or sale | 0 | 0 | 0 | 0 |
| Amortisation of intangible assets | (643) | 0 | 0 | 643 |
| Capital expenditure charged against the general fund balance | (1,783) | 0 | 0 | 1,783 |
| Revenue expenditure funded from capital under statute | 771 | 0 | 0 | (771) |
| Amounts of non current assets written off in disposal or sale as part of the gains on disposal to the Comprehensive Income and Expenditure Statement | (694) | 0 | 0 | 694 |
| *Insertion of items not debited or credited to the CIES:* | 0 | 0 | 0 | 0 |
| Statutory Provision for the financing of capital investment (MRP) | 2,204 | 0 | 0 | (2,204) |
| Capital expenditure charged against the general fund balance | 10 | 0 | 0 | (10) |
| **Adjustments Primarily involving the Capital Grants Unapplied Account** | 0 | 0 | 0 | 0 |
| Capital grants and contributions unapplied credited to the income and expenditure Statement | 0 | 0 | 0 | 0 |
| Application of grants to capital financing transferred to the capital Adjustment Account | 737 | 0 | 0 | (737) |
| **Adjustments primarily involving the Capital Receipts Reserve** | 0 | 0 | 0 | 0 |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | 544 | (544) | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new Transformation Expenditure | (500) | 500 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new Capital Expenditure | 0 | 44 | 0 | (44) |
| Cash Payment in relation to deferred capital receipt | 80 | 0 | 0 | (80) |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | (80) | 0 | 0 | 80 |
| **Adjustments Involving the Pensions Reserve** | 0 | 0 | 0 | 0 |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (300) | 0 | 0 | 300 |
| Employers Pensions contributions and direct payments to pensioners payable in the year | 125 | 0 | 0 | (125) |
| Additional contribution to the Pension Fund to balance the deficit on the Fund Account | 0 | 0 | 0 | 0 |
| **Adjustments Involving the Collection Fund Adjustment Account** | 0 | 0 | 0 | 0 |
| Amount by which council tax income credited to the CIES is different from funding basis | 21 | 0 | 0 | (21) |
| **Adjustment Involving the Accumulated Absences Account** | 0 | 0 | 0 | 0 |
| Amount by which officer remuneration charged to the CIES on a accruals basis is different from funding basis | 2 | 0 | 0 | (2) |
| **Total Adjustments** | **(3,782)** | **0** | **0** | **3,782** |

| | 2016/17 | | | |
|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 |
| **Adjustments Primarily Involving the Capital Adjustment Account:** | | | | |
| *Reversal of items Debited or Credited to the CIES:* | | | | |
| Adjustments | 553 | 0 | 0 | (553) |
| Charges for depreciation and impairment of non Current assets | 5,495 | 0 | 0 | (5,495) |
| Revaluation losses on Property Plant and Equipment & Other | 413 | 0 | 0 | (413) |
| Enhancement spend | 0 | 0 | 0 | 0 |
| Amounts of non current assets written off on disposal or sale | 170 | 0 | 0 | (170) |
| Amortisation of intangible assets | 651 | 0 | 0 | (651) |
| Capital expenditure charged against the general fund balance | 579 | 0 | 0 | (579) |
| Revenue expenditure funded from capital under statute | (271) | 0 | 0 | 271 |
| Amounts of non current assets written off in disposal or sale as part of the gains on disposal to the Comprehensive Income and Expenditure Statement | 0 | 0 | 0 | 0 |
| *Insertion of items not debited or credited to the CIES:* | 0 | 0 | 0 | 0 |
| Statutory Provision for the financing of capital investment (MRP) | (2,045) | 0 | 0 | 2,045 |
| Capital expenditure charged against the general fund balance | 0 | 0 | 0 | 0 |
| **Adjustments Primarily involving the Capital Grants Unapplied Account** | | | | |
| Capital grants and contributions unapplied credited to the income and expenditure Statement | (331) | 0 | 331 | 0 |
| Application of grants to capital financing transferred to the capital Adjustment Account | (833) | 0 | 0 | 833 |
| **Adjustments primarily involving the Capital Receipts Reserve** | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | (222) | 222 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new Transformation Expenditure | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new Capital Expenditure | 0 | (222) | 0 | 222 |
| Cash Payment in relation to deferred capital receipt | 0 | 0 | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | 0 | 0 |
| **Adjustments Involving the Pensions Reserve** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 184 | 0 | 0 | (184) |
| Employers Pensions contributions and direct payments to pensioners payable in the year | (88) | 0 | 0 | 88 |
| Additional contribution to the Pension Fund to balance the deficit on the Fund Account | 0 | 0 | 0 | 0 |
| **Adjustments Involving the Collection Fund Adjustment Account** | | | | |
| Amount by which council tax income credited to the CIES is different from funding basis | (5) | 0 | 0 | 5 |
| **Adjustment Involving the Accumulated Absences Account** | | | | |
| Amount by which officer remuneration charged to the CIES on a accruals basis is different from funding basis | 7 | 0 | 0 | (7) |
| **Total Adjustments** | **4,257** | **0** | **331** | **(4,588)** |

# Notes to the Core PCC Financial Statements

These notes provide information that supports, and helps in interpreting the financial statements. Where the PCC accounts figures are not materially different from those of the Group accounts or have already been separately identified, no additional disclosure notes have been made.

## 8.4 PCC Comprehensive Income and Expenditure Notes

### 8.4.1 Intra-Group Funding Arrangements between the PCC and the Chief Constable

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2017/18 amounts to £185.586m (£180.2m in 2016/17). This has been re-presented in the CIES and is now included within the Net Cost of Policing Services, in line with current best practice for the preparation of Police Accounts.

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

### 8.4.2 Financing and Investment Net Expenditure

Financing and Investment includes the following items,

| PCC 2017/18 £000 | | PCC 2017/18 £000 |
|---|---|---|
| 1,743 | Interest Payable and Similar Charges | 1,835 |
| 46 | Pension Net Interest Cost | 50 |
| (25) | Interest Receivable and Similar Income | (16) |
| **1,764** | **Total** | **1,869** |

### 8.4.3 Audit Fees

The audit fees payable in 2017/18 to the Auditors in relation to the audit of PCC single entity accounts were as follows:

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 32 | External Audit Fees | 40 |
| 0 | Additional External Audit Fees 2015/16 | 23 |
| **32** | **Total Audit Fees** | **63** |

### 8.4.5 Specific Grants

Included within the Gross income figure in the Net Cost of Services for the OPCC are specific grants and contributions of £2.396m. A breakdown of these by awarding body is listed below:

| 2016/17 £000 | Body | | 2017/18 £000 |
|---|---|---|---|
| 1,313 | Victim Service Grant/ Completed Fund | Ministry of Justice | 1,306 |
| 448 | CSE Innovation Fund | Ministry of Justice | - |
| 164 | Loan Charges | Home Office | 153 |
| **1,925** | **Total Specific Grants** | | **1,459** |
| 601 | Contributions | | 937 |
| **2,526** | **Total Grants and Contributions** | | **2,396** |

## 8.5 PCC Balance Sheet Notes

### 8.5.1 Debtors

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| 19,698 | Central Government Bodies | 15,059 |
| 3,019 | Other Local Authorities | 7,375 |
| 226 | NHS Bodies | 226 |
| 20 | Public Corporation | - |
| 8,275 | Other Entities and Individuals | 7,182 |
| **31,238** | **Total Short Term Debtors** | **29,842** |

### 8.5.2 Creditors

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| 217 | Central Government Bodies | 1,000 |
| 2,167 | Other Local Authorities | 5,796 |
| 48 | NHS Bodies | 111 |
| - | Public Corporations and Trading | - |
| 8,098 | Other Entities and Individuals | 9,020 |
| 4,622 | Intra Group Funding | 4,789 |
| **15,152** | **Total Short Term Creditors** | **20,716** |

### 8.5.3 PCC Unusable Reserves

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

| | PCC | | | |
|---|---|---|---|---|
| | Balance 1 April £000 | Transfers Out £000 | Transfer In £000 | Balance 31 March £000 |
| Accumulated Absences Account | (20) | 0 | 1 | (19) |
| Revaluation Reserves | 8,940 | (197) | 1,203 | 9,946 |
| Capital Adjustment Account | 14,325 | (6,649) | 3,142 | 10,818 |
| Deferred Capital Receipts | 444 | (80) | 0 | 364 |
| Pension Reserve | (1,773) | (178) | 0 | (1,951) |
| Collection Fund Adjustment Account | 1,602 | 0 | 21 | 1,623 |
| **Total** | **23,518** | **(7,104)** | **4,367** | **20,781** |

**Accumulated Absences Account:**

| PCC 2016/17 £000 | PCC 2016/17 £000 | | PCC 2017/18 £000 | PCC 2017/18 £000 |
|---|---|---|---|---|
| | (13) | **Balance as at 1 April** | | **(21)** |
| 13 | | Settlement or Cancellation of Accrual Made at the End of the | 21 | |
| (21) | | Amounts Accrued at the End of the Current Year | (19) | |
| | (8) | Amount by Which Officer Remuneration Charged to the CIES on | | 2 |
| | **(21)** | **Balance as at 31 March** | | **(19)** |

**Pension Reserve:**

| PCC 2016/17 £000 | | PCC 2017/18 £000 |
|---|---|---|
| **(1,204)** | **Balance as at 1 April** | **(1,773)** |
| (473) | Re-measurement of the net defined benefit Liability | (3) |
| (184) | Reversal of Items Relating to Retirement Benefits Debited or Credited to CIES | (300) |
| 88 | Employers Pensions Contribution and Direct Payments to Pensioners Payable in the Year | 125 |
| 0 | Additional Contribution to the Pension Fund Balance the Deficit on the Fund Account | 0 |
| **(1,773)** | **Balance as at 31 March** | **(1,951)** |

# 8.6 PCC Other Notes

## 8.6.1 Officers Remuneration

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

| Remuneration Band | PCC Number of Employees 2016/17 | PCC Number of Employees 2017/18 |
|---|---|---|
| £50,000 - £54,999 | 0 | 0 |
| £55,000 - £59,999 | 0 | 0 |
| £60,000 - £64,999 | 0 | 0 |
| £65,000 - £69,999 | 2 | 1 |
| £70,000 - £74,999 | 1 | 1 |
| £75,000 - £79,999 | 1 | 1 |
| £80,000 - £84,999 | 0 | 1 |
| £85,000 - £89,999 | 0 | 0 |
| £90,000 - £94,999 | 1 | 1 |
| **Total** | **5** | **5** |

## 8.7 PCC Cash Flow Notes

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| (5,495) | Depreciation | (3,744) |
| (413) | (Downward Valuations)/Upward Valuations | (179) |
| (651) | Amortisation of intangible assets | (643) |
| (553) | Enhancement Spend | (352) |
| (579) | Deferred Charges | (1,783) |
| 252 | Difference between depreciation on a historic cost and fair value basis | 42 |
| 3,913 | (Increase) / decrease in revenue creditors | (3,708) |
| 12,995 | Increase / (decrease) in revenue debtors | (1,563) |
| 415 | Increase / (decrease) in inventories | 84 |
| (96) | Movement in pension liability | (175) |
| 0 | Movement in provisions | 0 |
| (170) | Carrying amount of non-current assets sold | (694) |
| **9,618** | **Adjustment to net (surplus) or deficit on the provisions of services for non-cash movements** | **(12,715)** |

# Section 9
# (Appendix A)
# Accounting Policies

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.

## 9.1 General Principles

### Statutory Guidance and Accounting Standards used

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

### Changes in Accounting Policies

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

### Group Accounts

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

### Income and Cost Recognition and Intra-group Adjustment

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

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

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

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

## Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

Specifically the Council Tax precept on billing authorities is accounted for on an accruals basis. As a preceptor the Group recognises its share of collection fund debtors and creditors with each billing authority. Entries are therefore included within the Balance Sheet to represent the Group's share of the following:

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

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

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

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

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

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

## Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date of 31 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 31 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.

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

## 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 (Group 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 (Group 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.

**Finance Lease – (Group as lessor)**

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

Lease payments are apportioned between:

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

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

## 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 is it 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 or government bond yield of appropriate duration plus an additional margin. Discount rates used by the actuaries and other assumptions are sent out in Appendix B in the accounts.

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

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

The liabilities of the pension fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of anticipated earnings for current employees.

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

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

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

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

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

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

The re-measurements comprise of:

**The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

**Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Group to the pension fund or directly to pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are appropriations to and from the IAS19 Pension Reserve to remove the notional debits and credits for the retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the IAS19 Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for the retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

**Discretionary Benefits**

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

**Injury Awards**

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

## 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.

## 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.

## Cash and Cash Equivalent

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.

## Financial Instruments

**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 into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale' assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables 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 loans the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest, and the interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

'Available for sale' assets are recognised on the Balance Sheet when the Group becomes a party to a contractual provision of a financial instrument and is initially measured and carried at fair value.

When the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the CIES when it becomes receivable by the Group.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurement techniques are categorised in accordance with the following three levels

- Level 1 – inputs are quoted prices in active markets for identical assets and liabilities
- Level 2 – inputs are other than quoted prices in Level 1 that are observable for the asset or liability either directly or indirectly
- Level 3 – inputs are unobservable inputs for the asset or liability

Changes in fair value are balanced by an entry in the 'Available for sale' Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of 'Available for sale' Financial Assets. The exception is where impairment losses have been incurred and are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the 'Available for sale' Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event; that payments due under the contract will not be made (fixed or determinable payments); or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gain and 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 along with any accumulated gains or losses previously recognised in the 'Available for sale' Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost less any impairment losses.

## Property, Plant and Equipment (PPE) and Intangible Assets

### PPE - Recognition

*General*

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it brings benefits to the Group for more than one financial year. Expenditure that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

*Surplus Assets*

Assets that are surplus to service needs but that do not meet the classification of Investment Property or Assets Held for Sale are classified as PPE 'Surplus', pending a decision on the future use of the asset.

*Intangible assets*

Assets that do not have physical substance, but are identifiable and controlled by the Group. e.g. software licences

## De Minimis

The Group has agreed a de Minimis level of £10,000 for the acquisition, renewal or replacement of buildings, plant and machinery or other equipment to count as prescribed capital expenditure.

## Measurement

Assets are initially measured at cost, i.e. purchase price plus any costs incurred in bringing the asset into working condition for its intended use and the initial estimate of the costs dismantling and removing the items and restoring the site on which it is located.

The Group does not capitalise borrowing costs.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line in the CIES unless the donation has been made conditionally. In such cases until the conditions are satisfied the gain is held in the Donated Assets Account. Where gains are credited to the CIES they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Group Balance Sheets at fair value, determined as the amount that would be paid for the asset in its existing use, with the exception of assets under construction which are depreciated on a historical cost basis.

Assets included in the Balance Sheet at current value are revalued, as a minimum, every 5 years. However, if there is evidence that there have been material changes in the value a further valuation will be undertaken. Increases in valuations are matched by credits to the Group Revaluation Reserves to recognise unrealised gains.

Any revaluation losses are firstly written down against any previous revaluation gains held in the Revaluation Reserve. Where there are no previous revaluation gains, the losses are charged to the relevant service line of the CIES.

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

## Impairment

Asset values are assessed at the end of each financial year for evidence of reductions in value. If identified either as part of this review or as a result of a valuation exercise, they are accounted for as follows:

- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset the impairment loss is charged against that balance until it is used up. Thereafter, or if there is no balance of revaluation gains the impairment loss is charged to the relevant service line of the CIES.
- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant service line of the CIES only.

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

## Depreciation and Amortisation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without determinable finite useful life (i.e. freehold) and assets that are not yet available for use (i.e. assets under construction). Assets are not depreciated or amortised in the year of acquisition, but a full year's charge is made in the year of disposal.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the useful life of the property as estimated by the Valuer;
- Vehicles, plant, furniture and equipment (including Information Technology) – a percentage of the value of each class of assets in the Group's Balance Sheet, as advised by a suitably qualified officer.
- Intangible Assets – amortised on a straight line basis over the life of the licences ranging over a number of years dependent on the license agreement.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are separated from the main item and depreciated separately.

The Revaluation Reserve is also reduced for the depreciation relating to revaluation gains with a corresponding credit to the Capital Adjustment Account.

**Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Group Balance Sheets is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. This line is also netted off for any receipts from disposals. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

## 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.

## Assets Held for Sale

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.

## Inventories/Stocks

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.

## 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.

### Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Transfers to and from reserves are shown in the MIRS and not within services. Expenditure is charged to the CIES and not directly to any reserve. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and are not usable resources for the Group.

### 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.

### Value Added Tax

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

## 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
- 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.
- Heritage Assets
- Financial Instruments – soft loans

# Section 10 (Appendix B)
# PENSION SCHEMES

## 10.1 Pensions

***Participation in Pension Schemes***

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

The OPCC participates in two post-employment schemes:

- The Local Government Pension Scheme for Police Staff (LGPS), administered by Staffordshire County Council. This is a funded defined benefit scheme, meaning that the OPCC and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- 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 OPCC 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 OPCC 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:

### 10.1.1 Comprehensive Income and Expenditure Statement

| | LGPS £000 | | PPS £000 | |
|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| ***Cost of Services:*** | | | | |
| Current Service Costs (Inc Employee Cont) | (9,071) | (15,302) | (32,100) | (41,050) |
| Past Service Costs (Inc Curtailments) | (103) | (341) | (50) | (1,520) |
| Pension Transfers In | | | (250) | (480) |
| ***Financing and Investment Income and Expenditure*** | | | | |
| Interest Cost on defined benefit obligation | (9,628) | (8,524) | (66,880) | (58,880) |
| Interest Income on Plan Assets | 6,564 | 5,351 | 0 | 0 |
| ***Total Post Employment Benefit Charged to the Surplus or Deficit on Provision of Services*** | **(12,238)** | **(18,816)** | **(99,280)** | **(101,930)** |

### 10.1. 2 Re-measurement of the net defined benefit Liability:

| | LGPS £000 | | PPS £000 | |
|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| Return on plan assets (excl the amount inc in the net interest expense) | 7,421 | (612) | 0 | 0 |
| Re-measurement of the net defined benefit liability- demographic assumptions | 24 | 0 | 48,760 | 70,880 |
| Re-measurement of the net defined benefit liability- financial assumptions | (46,061) | 7,844 | (420,950) | (66,300) |
| Actuarial gains and losses on liabilities experience | 12,708 | 20 | 72,340 | 131,620 |
| ***Total Post Employment Benefit Charged to the CIES*** | **(25,908)** | **7,252** | **(299,850)** | **136,200** |

### 10.1.3 Movement in Reserves Statement

| | LGPS £000 | | PPS £000 | |
|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for the Post-Employment Benefits in Accordance with the Code | 12,238 | 18,816 | 99,280 | 101,930 |
| *Actual Amounts Charged Against the general Fund Balance for Pensions in the Year:* | | | | |
| Employers Contributions Payable to Scheme | (5,891) | (7,838) | (65,600) | (67,460) |
| Retirement Benefits Payable to Pensioners | 0 | 0 | 0 | 0 |
| **Total** | **6,347** | **10,978** | **33,680** | **34,470** |

### 10.1.4 Pension Assets and Liabilities Recognised in the Balance Sheet

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

| | 2017/18 £000 | 2016/17 £000 | 2015/16 £000 | 2014/15 £000 | 2013/14 £000 |
|---|---|---|---|---|---|
| Present Value of the Defined Benefit Obligations | | | | | |
| PPS | (1,870,126) | (2,013,287) | (1,719,695) | (1,946,229) | (1,721,497) |
| LGPS | (335,406) | (321,487) | (272,053) | (288,122) | (226,859) |
| Fair Value of LGPS Assets | 213,451 | 203,258 | 186,079 | 180,087 | 150,573 |
| | | | | | |
| Deficit in the Scheme | | | | | |
| PPS | (1,870,126) | (2,013,287) | (1,719,695) | (1,946,229) | (1,721,497) |
| LGPS | (121,955) | (118,229) | (85,974) | (108,035) | (76,286) |
| **Total** | **(1,992,081)** | **(2,131,516)** | **(1,805,669)** | **(2,054,264)** | **(1,797,783)** |

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

| | Funded Liabilities: LGPS £000 | | Unfunded Liabilities: PPS £000 | |
|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| **Opening Balance at 1 April** | (272,053) | (321,487) | (1,719,695) | (2,013,287) |
| Current Service Cost | (9,071) | (15,302) | (23,800) | (32,930) |
| Interest Cost | (9,628) | (8,524) | (66,880) | (58,880) |
| Contributions by Scheme Participants | (2,360) | (2,501) | (8,300) | (8,120) |
| Re-measurement Gain/(Loss) | (33,329) | 7,864 | (299,850) | 136,200 |
| Pension Transfers In | 0 | 0 | (250) | (480) |
| Benefits Paid | 5,057 | 4,885 | 65,600 | 67,460 |
| Past Service Costs (including curtailments) | (103) | (341) | (50) | (1,520) |
| Top-up-Grant | 0 | 0 | 39,938 | 41,431 |
| **Closing Balance at 31 March** | **(321,487)** | **(335,406)** | **(2,013,287)** | **(1,870,126)** |

### 10.1.6 Reconciliation of the Movement in the Fair Value of the Scheme Assets

| | LGPS £000 | |
|---|---|---|
| | 2016/17 | 2017/18 |
| **Opening Balance at 1 April** | 186,079 | 203,258 |
| Interest Income | 6,564 | 5,351 |
| Re-measurement gain/(loss): | | |
| The Return on the plan assets, excluding the amount included in the net interest expense | 7,421 | (612) |
| Employer Contributions | 5,891 | 7,838 |
| Contributions by Scheme Participants | 2,360 | 2,501 |
| Benefits Paid | (5,057) | (4,885) |
| **Closing Balance at 31 March** | **203,258** | **213,451** |

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 OPCC has in the long term to pay post-employment (retirement) benefits. In assessing the liabilities for retirement benefits, the actuaries use a set of assumptions including a discount rate set by reference to long term gilt yields. The assumptions used by the actuaries in 2017/18 and the potential effect of changes in these assumptions are set out below. The total net liability of £1,992m has a substantial impact on the net assets of the OPCC as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the OPCC 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.

As a result of this lump sum payment, the rate of employer contributions payable by both the PCC and the CC for LGPS members will remain constant at 15.5% throughout the 3 year period.

## 10.1.7 The Local Government Pension Scheme assets comprised:

| | Year Ended 31 March 2017 | | Year Ended 31 March 2018 | |
|---|---|---|---|---|
| Asset Category | Fair Value of Scheme Assets £m | %age of Total Assets | Fair Value of Scheme Assets £m | %age of Total Assets |
| **Equity Securities:** | | | | |
| Consumer | 13.634 | 7 | 9.2508 | 4 |
| Manufacturing | 11.754 | 6 | 8.9143 | 4 |
| Energy and Utilities | 5.039 | 2 | 2.6137 | 1 |
| Financial Institutions | 13.614 | 7 | 8.6633 | 4 |
| Health and Care | 11.309 | 6 | 6.3188 | 3 |
| IT | 13.604 | 7 | 6.0470 | 3 |
| Other | 0.202 | 0 | 0.2316 | 0 |
| **Debt Securities:** | | | | |
| Corporate Bonds (investment grade) | 15.094 | 7 | 16.1957 | 8 |
| Corporate Bonds (non-investment grade) | 0.000 | 0 | 0.0000 | 0 |
| UK Government | 0.000 | 0 | 0.0000 | 0 |
| Other | 0.000 | 0 | 0.0000 | 0 |
| **Private Equity:** | | | | |
| All | 6.452 | 3 | 6.2324 | 3 |
| **Real Estate:** | | | | |
| UK Property | 16.362 | 8 | 16.5124 | 8 |
| Overseas Property | 0.000 | 0 | 0.0000 | 0 |
| **Investment Funds and Unit Trusts:** | | | | |
| Equities | 67.844 | 33 | 100.8729 | 46 |
| Bonds | 11.117 | 5 | 12.5602 | 6 |
| Hedge Funds | 3.990 | 2 | 3.7477 | 2 |
| Commodities | 0.000 | 0 | 0.0000 | 0 |
| Infrastructure | 0.000 | 0 | 0.0000 | 0 |
| Other | 3.033 | 1 | 5.5071 | 3 |
| Derivatives: | 0.000 | | | |
| Inflation | 0.000 | 0 | 0.0000 | 0 |
| Interest Rate | 0.000 | 0 | 0.0000 | 0 |
| Foreign Exchange | 0.000 | 0 | 0.0000 | 0 |
| Other | 0.000 | 0 | 0.0000 | 0 |
| **Cash and Cash Equivalents:** | | | | |
| All | 10.210 | 6 | 9.7831 | 5 |
| **Totals:** | **203.258** | **100** | **213.451** | **100** |

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

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

Source: Hymans Robertson LLP

### 10.1.8 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Police Pension Scheme liabilities have been assessed by the Government Actuary Department (GAD) using their pension model. The Local Government Pension Scheme assets and liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

The principal assumptions used by the actuary have been:

| | LGPS | | PPS | |
|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| Mortality Assumptions | | | | |
| <u>Longevity at 65 for Current Pensioners</u> | | | | |
| Men | 22.1yrs | 22.1yrs | 23.2yrs | 22.6yrs |
| Women | 24.4yrs | 24.4yrs | 25.2yrs | 24.2yrs |
| <u>Longevity at 65 for Future Pensioners</u> | | | | |
| Men | 24.1yrs | 24.1yrs | 25.2yrs | 24.5yrs |
| Women | 26.4yrs | 26.4yrs | 27.3yrs | 26.1yrs |
| Rate of Inflation | 2.35% pa | 2.30%p | 2.35% pa | 2.30%pa |
| Rate of Increases in Salaries | 2.8% pa | 2.8%pa | 4.35% pa | 1.00%pa |
| Rate of short term Increase in Salaries (to 2020) | | | 1.0% pa | 1.0% pa |
| Rate of Increases in Pensions | 2.4% pa | 2.4%pa | 2.35 % pa | 2.30%pa |
| Rate for Discounting Scheme Liabilities | 2.6% pa | 2.7%pa | 2.65% pa | 2.55%pa |
| Take Up of Option to Convert Annual Pension into Retirement Grant: | | | | |
| Pre-April 2008 Service | 50% | 50% | N/A | N/A |
| Post-April 2008 Service | 75% | 75% | N/A | N/A |

### 10.1.9 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.

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

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

### 10.1.10 Pensions for the PCC Single Entity

The tables below set out the estimated Pensions Charges, Assets and Liabilities relating to the 21 Staff (19 Staff in 2016/17) directly under the control of the PCC as at 31st March 2018 (based on the agreed transfer of Staff under Stage 2) that were LGPS members at this date. These amounts have been calculated using an estimate based on the PCC's Staff as a proportion of the total OPCC Group membership of the Scheme, that is 1.6% in 2017/18 (1.5% in 2016/17) of the amounts shown in note 10.1.

### 10.1.11 Transactions Relating to Retirement Benefits

The OPCC 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 OPCC 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:

### 10.1.12 Comprehensive Income and Expenditure

| | 2016/17 £000 | 2017/18 £000 |
|---|---|---|
| ***Cost of Services:*** | | |
| *Service cost comprising:* | | |
| Current Service Cost (including Employee Contributions) | (136) | (245) |
| Past Service Cost (including curtailments) | (2) | (5) |
| ***Financing and Investment Income and Expenditure:*** | | |
| Interest Cost on defined benefit obligation | (144) | (136) |
| Interest Income and Plan Assets | 98 | 86 |
| *Total Post Employment Benefits Charged to the Surplus or Deficit on Provision of Services* | **(184)** | **(300)** |
| *Other Post-employment Benefits charged to the CIES Service Cost:* | | |
| Remeasurment of the net defined benefit Liability comprising: | | |
| Obligations relating to: staff previously under control of the chief Constable; and new staff in the year | 84 | (119) |
| Return on plan assets (excluding the amount included in the net interest expense) | (111) | (10) |
| Actuarial gains and losses arising on changes in demographic assumptions | 0 | 0 |
| Actuarial gains and losses arising on changes in financial assumptions | 691 | 126 |
| Actuarial gains and losses on liabilities- experience | (191) | 0 |
| *Total Post-employment Benefits charge to CIES:* | **473** | **(3)** |

### 10.1.13 Movement in Reserves Statement

| | 2016/17 £000 | 2017/18 £000 |
|---|---|---|
| Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post-Employment Benefits in Accordance with the code | 184 | 300 |
| *Actual Amounts Charged Against the General Fund Balance for Pensions in the Year:* | | |
| Employers' Contributions Payable to Scheme Retirement Benef | (88) | (125) |
| **Total** | **96** | **175** |

### 10.1.14 Pension Assets and Liabilities Recognised in the Balance Sheet

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

| | 2016/17 £000 | 2017/18 £000 |
|---|---|---|
| Present Value of defined benefit obligations | (4,822) | (5,366) |
| Fair Value of Assets | 3,049 | 3,415 |
| **Deficit in the Scheme** | **(1,773)** | **(1,951)** |

### 10.1.15 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations):

| | Funded Liabilities: LGPS £000 | |
|---|---|---|
| | 2016/17 | 2017/18 |
| **Opening Balance at 1 April** | **(3,809)** | **(4,822)** |
| Obligations relating to: staff previously under control of the Chief Constable; and new staff in the year | (271) | (321) |
| Current Service Cost | (136) | (245) |
| Interest Cost | (144) | (136) |
| Contributions by Scheme Participants | (35) | (40) |
| Remeasurement gain/(loss) | (500) | 126 |
| Benefits Paid | 75 | 77 |
| Past Service Cost (including curtailments) | (2) | (5) |
| Top-up-Grant | 0 | 0 |
| **Closing Balance at 31 March** | **(4,822)** | **(5,366)** |

## 10.1.16 Reconciliation of the Movements in the Fair Value of the Scheme Assets:

| | 2016/17 £000 | 2017/18 £000 |
|---|---|---|
| **Opening Balance at 1 April** | **2,605** | **3,049** |
| Assets relating to: staff previously under control of the Chief Constable; and new staff in the year | 187 | 202 |
| Interest Income | 98 | 86 |
| Remeasurement (loss)/gain: | | |
| The return on plan assets, excluding the amount included in the net interest expense | 111 | (10) |
| Employer Contributions | 88 | 125 |
| Contributions by Scheme Participants | 35 | 40 |
| Benefits Paid | (75) | (77) |
| **Closing Balance at 31 March** | **3,049** | **3,415** |

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 PCC has in the long term to pay post-employment (retirement) benefits. In assessing the liabilities for retirement benefits, the actuaries use a set of assumptions including a discount rate set by reference to long term gilt yields. The assumptions used by the actuaries in 2017/18 and the potential effect of changes in these assumptions are set out below. However, statutory arrangements for funding the deficit mean that the financial position of the PCC 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. The total contributions expected to be made to the Local Government Pension Scheme by the PCC in the year to 31st March 2018 are £0.101m.

Section 11

# ABBREVIATIONS /GLOSSARY

## 11.1 Abbreviations

| | | |
|---|---|---|
| **OPCC** | **-** | Office of the Police and Crime Commissioner for Staffordshire Group |
| **PCC** | **-** | Police and Crime Commissioner |
| **CIES** | - | Comprehensive Income and Expenditure Statement |
| **CFR** | **-** | Capital Financing Requirement |
| **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 |
| **NNDR** | **-** | National Non-Domestic Rates |
| **PPE** | **-** | Property Plant and Equipment |
| **PWLB** | **-** | Public Works Loan Board |
| **REFCUS** | **-** | Revenue Expenditure Financed from Capital under Statute |
| **RSG** | **-** | Revenue Support Grant |
| **ROCU** | **-** | Regional Organised Crime Unit |
| **PCCWM** | **-** | Police and Crime Commissioner West Midlands |
| **CCAOU** | - | Central Counties’ Air Operations Unit |

## 11.2 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 1st 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 1st 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.

**Remuneration**
All amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash (e.g. benefits in kind).

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

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

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

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

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

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

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

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

(a) The designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989; or

(b) The head of staff for a relevant body which does not have a designated head of paid service

**Single Entity Financial Statements**
The main financial statements for the OPCC as shown in section 3.

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

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