AUDITED GROUP STATEMENT OF ACCOUNTS 2019/20

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

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Narrative Statement

1.1 Foreword by the Staffordshire Commissioner (the Police and Crime Commissioner)

Over the last 12 months I am pleased to be able to reflect on a year of positive developments across police and fire and rescue services.

Both services have been subject to inspections by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and both have received a Good rating. I want to pay credit to both the Chief Constable and the Chief Fire Officer and their teams and services for these outcomes.

For 2019/20, I increased the council tax precept for policing by £24 for a Band D property, an increase of 12.5%. This was a very significant increase and given my long held view that the public should not be asked for more unless absolutely essential, not a decision that came easily.

However, as I explained in last year's Annual Accounts, policing has required sustained additional funding to maintain public safety and develop its service further to meet the challenges placed on it in Staffordshire and Stoke-on-Trent. These challenges arise for many reasons; crime has been rising nationally and has been changing and we face risks today that were not evident when I first became a Police and Crime Commissioner.

The increase in the contributions that the public make to policing and community safety in 2019/20 has meant that there is now a greater capability in Staffordshire and Stoke-on-Trent to address those challenges, including increases in police officer numbers. At the same time that local people are contributing more towards policing, my office and Staffordshire Police have made efficiency savings to ensure that as much funding as possible can be directed towards that greater capability. Some of these savings arise from the sharing of some services across police and fire services in Staffordshire; I am impressed by the commitment and creativity that both services have shown in embracing this opportunity to date and into the future.

Overall crime levels in Staffordshire and Stoke-on-Trent have fallen between 2018/19 and 2019/20, countering the national trend and showing that Staffordshire Police is contributing to a substantial and significant positive change.

From a wider community safety perspective, other services also contribute positively towards achieving a safer Staffordshire and Stoke-on-Trent; policing does not deliver this on its own. Through my office and the services put in place, I continue to ensure that victims of crime are supported effectively and that offenders and reoffenders are deterred from further criminal activity. I also want to thank all local authorities for their comprehensive community safety plans that reflect the locality deal funding allocated through my office.

Finally, I recommend these Annual Accounts to you and ask that you read these taking account of the context provided above, which is further detailed within this document.

Matthew Ellis

Police, Fire and Crime Commissioner for Staffordshire

1.2 Narrative Statement by the Director of Finance

The purpose of the Narrative Report is to provide information on the Group, its main objectives and strategies and the principal risks that it faces. The Narrative Report should provide commentary on how the Group has used its resources to achieve its desired outcomes in line with its objectives and strategies.

The objectives of the Statement of Accounts are to provide useful information to a wide range of users about the financial position of the Staffordshire Commissioner's Office and Staffordshire Police. The information provided also allows for an assessment of the Staffordshire 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 statement also reflects upon the impact of Covid-19 and discusses how the Staffordshire Commissioner's Office and Staffordshire Police are doing even more to support the communities served during the very challenging time dealing with the Coronavirus epidemic. The narrative report contains.

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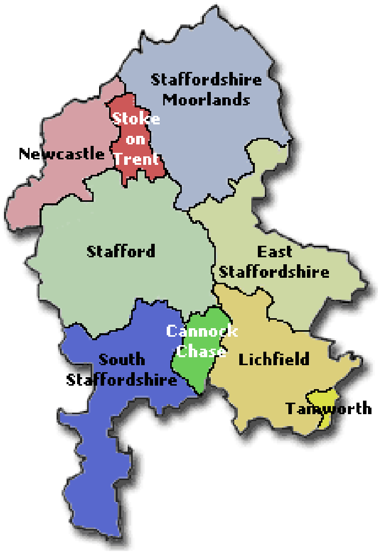
1.2.1 Introduction to Staffordshire

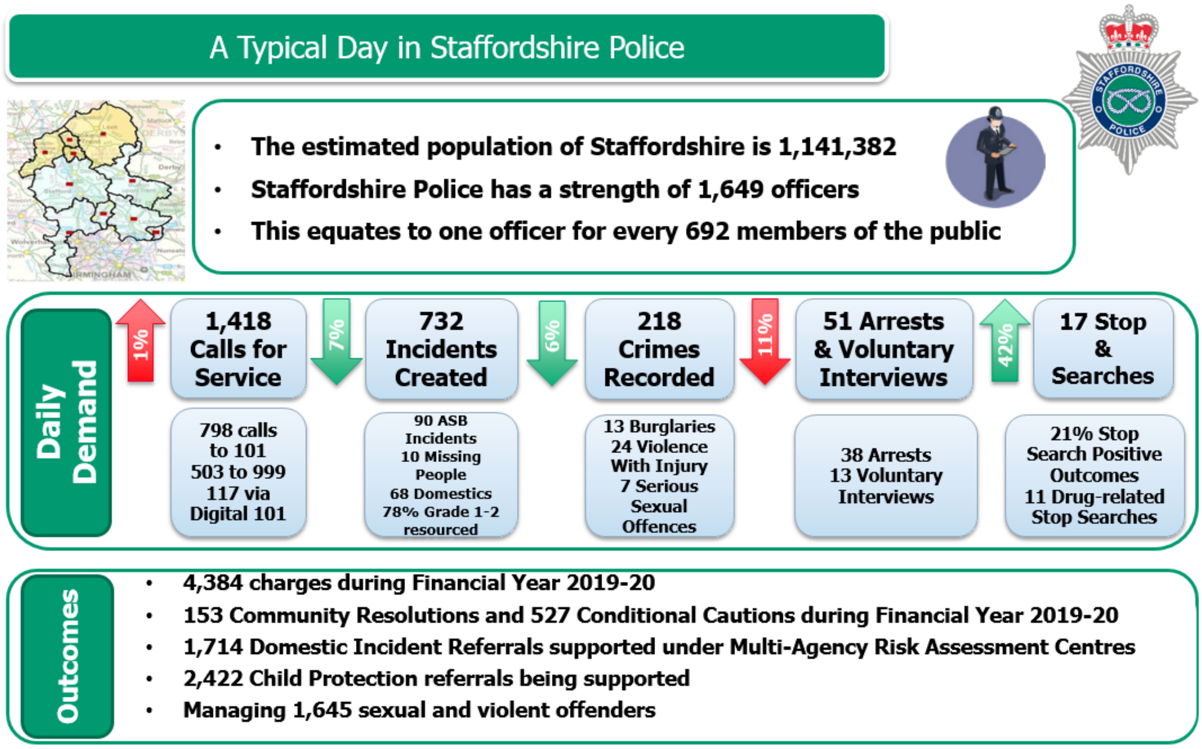
Staffordshire Police provides policing services across the County of Staffordshire and the City of Stoke-on-Trent. Our purpose is keeping our communities safe and reassured through preventing crime, protecting the public and bringing offenders to justice.



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. 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].

Staffordshire has the largest total road length of any authority area of the West Midlands and has one of the largest in the country. There are 63 miles of motorway in Staffordshire and the West Coast Mainline connects the county by rail. The section of the motorway through Staffordshire and Cheshire has around 21 million vehicle movements per year.

The infographic below is intended to provide a snapshot of the demand faced on any typical day by the Force in Staffordshire:



[1] Source: Staffordshire Observatory and Stoke-on-Trent City Council.

1.2.2 Organisation Overview

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 1st 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.

The PCC will mainly be referred to throughout this document as the Staffordshire Commissioner. The Staffordshire Commissioner includes the responsibilities as the Police and Crime Commissioner and governance of the Staffordshire Commissioner Fire and Rescue Authority.

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

Our People
At the end of the financial year, Staffordshire Police employed 3,288 full time equivalent staff, consisting of 1,673 police officers, 197 police community support officers (PCSO's) and 1,213 police staff. The force is also supported by 205 volunteer Special Constables, who give up their own time to provide an enhanced service to Staffordshire communities.[2]

The Force has a strong track record, and continues to support and invest into the Learning and Development of its people as well as importantly focussing upon their welfare and wellbeing.
The Force has launched and embedded its People First Strategy helping to support a modem and transformed police service, being an exceptional place to work that will in turn enable the Force to deliver a better service to the people of Staffordshire.

As at 31st March 2020 Staffordshire Police delivered the additional 30 Officers required as part the Government's plan to recruit an additional 20,000 Police Officers. A grant of £0.4m was received in year from the Home Office to support the costs of the uplift programme.

[2] Source: Staffordshire Police human resources stock take report 31.03.20

1.2.3 Our priorities

The Staffordshire Commissioner has published a Safer, Fairer, United Communities strategy, which covers the period 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. This plan underpins the Commissioner's overarching ambitions for delivering positive and sustainable economic, social and environmental outcomes for Staffordshire and Stoke on Trent.

The strategy was updated in May 2017 to reflect 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:

Modern Policing
Demand for service in policing is high as well as being diverse and it is necessary for the police service to do more to prevent and intervene early to deal with the root cause of problems before they become more complex and costly to address. On mental health, the Commissioner has given a significant focus to this approach and had success, but more has to be done to make this a way of working as opposed to a project-based approach.

These challenges cannot be addressed by policing alone. Staffordshire Police has to also work effectively with its partners in Staffordshire, at a regional level and at a national level if it is to modernise. It will not prove possible to address the complex issues that it has to deal with without being a good partner itself, being easy to do business with and welcoming of the skills and expertise that others bring. For example, addressing the needs of a vulnerable child, or adult may require the support of a local authority, or the NHS and addressing serious and organised crime may require the support of a regional unit, or the National Crime Agency (NCA).

The Commissioner is committed to making sure that Staffordshire Police is enabled to adapt itself to those future challenges and to provide the right resources at the right time to turn the commitment into a reality.

Early Intervention
Evidence shows the best way of preventing crime and having a positive impact on community well-being, quality of life and safety is to stop problems arising in the first place. It is important to intervene early to help those who have started experiencing problems, supporting them to address the issues they face.

Analysis by the Early Intervention Foundation has found that dealing with crime and anti-social behaviour costs public services is an estimated £5.2 billion per year; £1.8 billion of this falls to the police. Locally this equates to £319 million across Staffordshire. This can be broken down into £237 million/£274 per person in Staffordshire and £82 million/£328 person in Stoke-on-Trent being spent on the cost of late intervention

Early Intervention is therefore a vital part of our work and when successful can impact positively on individuals, families and communities alike as well as the other priorities within our strategy.
There are a number of factors which leave people more vulnerable to / at risk of becoming involved in crime or anti-social behaviour such as truancy, poor employment opportunities, aspirations and opportunities, poverty, family breakdown, substance misuse, mental health issues etc. Therefore, it makes sense to focus on providing help early, addressing the root causes of crime.

Victims and Witnesses
Being a victim of crime can be truly damaging and have a lasting impact on feelings of safety and well-being. This is not only about the incident itself, but all too often the complexity, fragmented nature and quality of the services that the victim and their families can access, has an effect. The experience of courts and criminal justice systems can sometimes be non-user friendly, and can be as taxing and traumatic as the original incident.

Criminal Justice agencies and support services need to improve the experience and quality of services that support victims and witnesses. The “system” must fit the needs of individuals, ensuring victims, witnesses and their families are supported in a way that recognises their individual circumstances, provides respect and empathy and places them at the very heart of all criminal justice processes.

Public Confidence
This priority focuses on ensuring that the people of Staffordshire are better informed and involved in how policing and community safety arrangements are delivered, helping thereby to increase public confidence and reduce the fear of crime.

A responsive, public facing and visible police force, which recognises the diverse needs of our communities is at the very heart of the Commissioner’s priorities.

Public access to services needs to be built around a number of flexible communication channels, including face-to-face, emergency and non-emergency telephone responses, digital channels including websites and social media and others as required.

Offenders
The Staffordshire Commissioner’s Managing Offenders Plan seeks to prevent offending happening by delivering early intervention activities such as targeted education for children and young people vulnerable to becoming involved in crime and anti-social behaviour and by opening up access to positive activities and opportunities such as positive activities such as Space.

It also seeks to divert people involved in minor offences away from unnecessary contact with the criminal justice system through triage processes for young people and the use of out of court disposals and through developing liaison and diversion schemes for those coming into contact with criminal justice agencies with vulnerabilities.

All of the activities in this strategy, as well as the Commissioners ongoing focus to minimise bureaucracy and modernise services and approaches, are concentrated on one clear underpinning goal – freeing up more time where it matters – for front line activity, getting officers out into communities, rather than being stuck behind desks.

Public Confidence is also about trust and having a police service that is open and transparent where policing at every level can be examined and scrutinised to help improve reassurance and the service to communities.

Policing and community safety challenges
These are becoming more complex and require different, more sophisticated responses. The environment has also changed with 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 delivery in some areas, for instance, more victims of crime are now supported and supported better.

The Office of the Staffordshire Commissioner, Staffordshire Police alongside partners in Staffordshire and those at a regional and national level continue to towards a common goal 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 Staffordshire Commissioner's ambition for a safer Staffordshire and Stoke-on-Trent.

The landscape of community safety continues to change massively. There has been a shift from acquisitive crime to what can be described as 'high harm' crimes against people. Complex investigations into child sexual exploitation, modern slavery, human trafficking, honour-based violence and female genital mutilation have become business as usual for police forces. High-profile national events have increased victims' confidence to report historical and current offences, and the proactive work of all agencies in the safeguarding arena has revealed previously hidden demand. The threat from terrorism has also increased significantly. Offending increasingly has complex cyber elements, national and international connections and links to organised crime groups. Managing this complexity has to be balanced against providing the traditional services that communities expect: being easy to contact, there when you need them, providing a reassuring presence and protecting people. Locally, services have become increasingly stretched in dealing with complex societal problems – an ageing population and increases in domestic abuse, mental health and substance misuse, alongside other factors such as climate change.

These are complex challenges that cannot be addressed by individual services; they require more sophisticated responses. The police, the fire and rescue service and other agencies have had to find innovative ways of working together, focusing shrinking resources on people and places at the highest risk. Our local services also need to be able to dovetail into regional and national activities. This means they have to be easy to do business with, 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.

1.2.4 Our Service Delivery

The Chief Constable has continued to make significant progress in developing a new Blueprint for Change and Policing Plan that support the five priorities within the Safer, Fairer, and United Communities Strategy. A revised performance framework has been introduced to enable the Staffordshire Commissioner to hold the Chief Constable and force to account in delivering the Policing Plan and meeting the strategy's priorities.

The force has responded well to the twin challenges of adapting to meet new pressures and doing more with less. From the outset, the Commissioner has been clear that local policing is the bedrock of
The service; it needs to be protected, highly visible and focused on prevention. Despite financial pressures, he has encouraged the force to make some difficult decisions to do things differently in order

to maintain neighbourhood policing numbers, and recently invested to further expand neighbourhood teams by more than 140 officers.

Technology has had to improve to enable this to happen. When the Commissioner took office, 43 police services across the country were broadly doing their own thing. It was clear that Staffordshire Police's IT was outdated and in need of significant investment. There was a need to provide the force with digital capabilities to meet the demands of modern policing. In 2016, an IT strategic provider, Boeing, was chosen from more than 50 companies to help us in that endeavour. Progress has been made over the last few years, but priorities for both Boeing and policing technology have changed, as have the demands upon them. Boeing wish to refocus their work elsewhere and this has come at an opportune time with our agreement to part company on the best of terms, after delivery of the key Niche system in 2020.

The Niche Records Management System is the biggest IT programme undertaken by the force. It replaces 13 existing systems with one integrated solution to improve data quality, better support data sharing with partners, provide real-time information to officers in the field and deliver efficiencies in business processes.

1.2.5 Covid-19

On 23rd March 2020, the Government announced restrictions aimed at reducing the spread of coronavirus, and the Commissioner's office and Staffordshire Police reacted quickly to ensure the ongoing protection of staff and to ensure that the provision of services to the communities of Stoke on Trent and Staffordshire would be able to continue as far as possible. Of course the daily engagement with our communities has changed and been modified based upon the instructions for social distancing etc. provided by Government. In addition Police have been allocation additional powers by the Government to ensure the communities are complying with instructions given by the Prime Minister.

Whilst separate funding to deal with the pandemic has not been provided access to ring fenced grant funding (uplift grant) has been permitted by the Home Office. Monthly returns are now being provided to the Home Office detailing all additional costs incurred in dealing with COVID-19. It is anticipated that there will significant financial implications into the medium term due to a predicted reduction in council tax fund collection and a lower council tax base. Estimates will be incorporated into the scheduled updated of the MTFS in October which will be presented to the Police Fire and Crime Panel. At year end an earmarked provision of £0.4m was created to provisionally deal with the initial costs of this pandemic.

Due to the timing of the coronavirus pandemic commencing at the close of the financial year, there is no material impact of the coronavirus that will affect the 2019/20 statutory accounts for the Staffordshire Commissioner's Office or Staffordshire Police.

1.2.6 Risks

The Staffordshire Commissioner and Chief Constable both have risks registers both at strategic and operational level. The risk register is reviewed and challenged by Ethics, Transparency Audit Panel (ETAP) on a regular basis. Both registers form a part of the Internal Audit programme delivered by our internal auditors, RSM and reported to ETAP. The force holds a regular review of all strategic risks and all risk owners are invited to the meeting to explain the risk and its mitigation along with how it is being pro-actively managed by the force.

1.2.7 Basis of preparation

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 2016 and the Code of Practice on Local Authority Accounting 2019/20.

The Commissioner 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.

This document contains two sets of accounts:

- Group accounts, which incorporate the PCC single entity accounts for the Staffordshire Commissioner and the accounts produced by the Chief Constable [Section 5]
- PCC single entity accounts [Section 7]

Each set of statements comprise of the following:

Statement of Responsibilities for the Statement of Accounts which sets out the respective responsibilities of the Authority and the Treasurer for the accounts.

Statement of Accounting Policies which sets out the basis for recognising, measuring and disclosing transactions in the accounts;

Movement in Reserves Statement (MIRS) which reconciles the Income and Expenditure Account with General Fund Balances taking into account contributions to reserves committed for future expenditure;

Comprehensive Income and Expenditure Statement (CIES) which summaries the income and expenditure activity for the financial year. This statement analyses the income and expenditure by type of spend.

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

Cash Flow Statement which summaries the 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.

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.

1.2.8 Financial performance

Revenue Expenditure and the General Reserves

The Revenue Budget for the group was approved on 28th January 2019 by the Staffordshire Commissioner, and was set at £196.994 million. Revenue expenditure consists of the day-to-day running costs, such as employee costs, pension costs, premises, transport, ICT, income and financing costs.

The Group has a reported underspend of £0.441m against its budget of £196.994m, equating to and underspend of 0.22%. This outturn position is within the generally accepted financial health indicator in the sector of being within a two percent over or under tolerance compared to budget. This underspend will be added to the groups general fund reserve, allowing greater medium term resilience to offset some of the significant risks inherent in Policing. Major variances have arisen in the following areas during the year:

- An underspend on staffing pay budgets, in part due to fluctuations in the recruitment timeline during the year and proactive vacancy management
- Increased Income from grants and reimbursements which includes additional (not budgeted for) grants received during the year, for example Serious Violence and Police Officer Uplift
- Benefits from lower interest payments and higher interest receivable. This included lower capital financing requirements during the year driven by lower capital spend and borrowing requirements.
- An underspend on supplies and service due to effective internal controls on non-pay spend

The Group is required to prepare the accounts within the framework published by Chartered Institute of Public Finance and Accountancy (CIPFA), the International Financial Reporting Standards (IFRS) and the Government, the results of which are deficit for the year £0.691m (2018/19 was a deficit of £99.523m). However, this includes pensions and depreciation costs which are not chargeable to tax payers (nationally and locally) and the final position for the financial year is set out in the following table below:

Reserves	General Fund Actual £000	Earmarked Reserves Actual £000
General Reserves		
General Reserves Balance at 1st April 2019	4,563	906
(Over)/Underspend	441	0
Transfers In/(Out)	1,346	9,239
General reserves at 31st March 2020	**6,350**	**10,145**

This means the general reserve held at 31st March 2020 is for £6.350m any unexpected or emergency events that are to be considered to be a medium or high risk by the Group.

The general reserves has now been restored back to the agreed level of 3% of the total revenue budget which has been set by the Staffordshire Commissioner and is considered to be a reasonable provision for an emergency events that may occur. This included a budgeted transfer of £1.346m as agreed within the approved budget in addition to the £0.441m additional contribution in year.

During the year there have also been a number of transfers into earmarked reserves which include a provision for ICT Transformation following the change in provision of ICT services for the group. In addition reserves have been earmarked for anticipated additional pension costs and for ongoing future transformation. A reserve of £0.4m has also been earmarked specifically for the Covid-19 costs incurred by the Force.

Overall total reserves are in a significantly healthier position moving in 2020/21, and whilst they remain low by sector standards the level of reserves is a visible sign of improving financial health for the group.

Capital Investment

During 2019/20, £10.130m was invested in capital projects, summarised as follows.

Capital Expenditure Outturn 2019/20	Annual Budget £000	Actual £000	Actual %
Land and Buildings	3,564	1,080	11%
Information Technology	15,685	7,835	77%
Vehicles	1,706	991	10%
Plant and Equipment	495	224	2%
Total Capital Expenditure	**21,450**	**10,130**	**100%**

The table above shows the net capital position against budget for 2019/20. The shortfall against budget is attributable to some project slippage mainly due to the investment in Niche (discussed below) being delivered in May 2020 but originally planned for completion by March.

The capital programme is supported mainly by external borrowing and planned capital receipts, with very little basic capital grant funding from the government now being available. The programme slippage is also affected by our local contribution to national developments such as Automatic Number Plate Recognition (ANPR) and Emergency Service Network (ESN), where the impact on our costs and timescales is not clear.

Depending on the project, business case and life expectancy the Staffordshire Commissioner may borrow to fund the longer life assets. Any decision to borrow will be made, like all decisions, with value for money for the taxpayer in mind and only be done when it is cost effective way of delivering a project.

The Staffordshire Commissioner approved a landmark investment of £16m in an ICT project to update the force core policing IT systems which is now due for completion in 2020/21. This will enable them to make efficiencies throughout the way they operate, retain and use data. This platform is central to the Force Target Information Model (TIM) and will increase operational effectiveness through information readily available to support operational decision making to quickly identify threat and risks as well as eliminating technology risks from current application which are being replaced. Niche will see the replacement of 12 IT systems with a modern records management system (RMS) and associated data quality and mobile data technologies.

Balance Sheet

The Balance sheet is a snapshot of the Group assets and liabilities, cash balances and reserves at the balance sheet date. A table summary is provided below.

	31st March 2019 (Restated) £000	31st March 2020 £000
Long Term Assets	86,724	86,825
Current Assets	43,657	44,566
Current Liabilities	(36,198)	(29,330)
Long Term Liabilities	(2,244,633)	(1,982,281)
Net Liabilities	**(2,150,451)**	**(1,880,220)**
Usable Reserves	(10,669)	(19,976)
Unusable Reserves	2,161,120	1,900,195
Total Reserves	**2,150,451**	**1,880,220**

As at 31st March the balance sheet shows the group had negative assets, fortunately this is not the case. The sole reason for this is the unfunded Police Pension Scheme and the funded Local Government Pension Scheme (LGPS) pension scheme. Excluding these pension labilities the Group Balance sheet has net assets of £28.835m including usable reserves of £19.976m. Usable Reserves have significantly increased by £9.307m, £3.481m of which is Capital grants and receipts. These will be used in future years to help finance capital expenditure.

Treasury Management

The Staffordshire Commissioner approves a Treasury Management and Investment Strategy before start of each financial year and receives regular updates on treasury performance during the year.

<u>Cash Flow</u>

	31st March 2019 £000	31st March 2020 £000
Cash and Cash Equivalents	3,936	10,110
Short Term Investments	14,000	8,000
Total	**17,936**	**18,110**

Overall, group cash flow has significantly improved due to the sale of the vacant police premises during the year. The Commissioner has continued to progress collaborative work on estates with our partners, particularly with Staffordshire Fire and Rescue Service where the first combined use building is the fire station in Tamworth, this will follow later in 2020 with the local policing teams in Hanley moving into the fire station. This will enable the continued disposal of unused or underutilised police posts to deliver value for money to the local tax payers.

The Staffordshire Commissioner is committed to a developing a more efficient use of the combined Police and Fire estate through the development of a Joint Estates Strategy. Though rationalising the use of buildings where possible, this will reduce operating costs and ensure efficient and effective utilisation of all premises.

<u>External Debt</u>

Historically long term borrowing has been utilised to finance part of the overall capital programme. As at 31st March 2020 the Group had total external borrowing of £71.982m (£77.341m 2018/19). This is still under the Authorised limit for external debt.

Investments
As at 31st March 2020, £8m of cash was invested of which £3m was invested in the Bank of England Debt management account facility (DMO) and the remaining was invested in local authorities.

Pensions
Accounting standards require the full cost of pension benefits as they are earned to be reported in the accounts. The impact of this requirement on the accounts is significant with the total balance sheet liability for pensions amounting to £1,909m and this is the main reason for the excess of £1,880m worth of liabilities over assets. The amounts included within the balance sheet reflects an estimate of the total pension liability and incorporates a number of assumptions that change over time. This liability does not affect the ability to continue as a going concern as it refers to future liabilities that will be met by future contributions. Excluding the pension liability, the balance sheet shows net assets of £28.834m.

The police pension schemes are unfunded defined benefit schemes and any deficit on the scheme is met by Central Government through the Home Office and a top-up payment is received annually to cover any shortfall. Contributions to the scheme at the rate of 31% (21.3% in 2018/19) of pay for current officers are funded from the current revenue budget which includes council tax funding. The cost of pension payments to pensioners is largely met from the Home Office top-up grant and is therefore not funded by Council Tax. The assessed liability overall of Staffordshire in the Police Pension Scheme as at 31st March 2020 was £1,795m (£2,015m 2018/19).

Staff working for Staffordshire Police, the Staffordshire Commissioner's Office and PCSOs are eligible to be members of the Local Government Pension Scheme (LGPS) administered by Staffordshire County Council and is a funded scheme: The current contribution rate for employees is 15.5% of pay, and this is met from the current revenue budget which includes council tax funds. The assessed liability overall of Staffordshire in the LGPS as at 31st March 2020 was £114 million (£156 million 2018/19).

Following the recent three year "triennial" review of the Local Government Pension Scheme (LGPS), the actuary, Hymans Robertson, proposed that a further deficit repair payments was required for the three year period to 2019/20 in order for the employer contribution rates to remain unchanged. The authority's agreed to make an upfront payment of £3.584m as a lump sum and receive a favorable discount rate offered by the actuary.

The total pension liability has reduced by £262 million in year as incorporated into the Statement of Accounts for 2019/20 is primarily associated with the impact of fund valuation mainly through changes in financial assumptions that included a reduction in the discount rate of 0.2% (from 2.45% to 2.25%) used by the actuary within the valuation of the Police Pension Schemes. In addition the rate of CPI has also been adjusted down by 0.35%, as has the long term assumption for salary increases by the same reduction. Life expectancy assumptions for both males and females has also changed. Assumptions for the Local Government Pension Scheme have also been revised resulting in a lower discount rate by (0.1%, the CPI pension inflation assumption down 0.35% and future salary increases down to 2.2% from 2.9%.

McCloud / Sargeant Judgment
Two claims were brought against both the judges' pension scheme (the McCloud case), and the firefighters' pension scheme (the Sargeant case) claiming that transitional arrangements into the new Pension Schemes was discriminatory on the basis of age. The claims were heard together, and in December 2018, the Court of Appeal ruled that the transitional protection arrangements offered when transitioning to the new pension schemes constituted age discrimination and was therefore unlawful. The government applied to the Supreme Court to appeal this decision in June 2019, which was denied ending the legal challenge.

The impact of this judgement results in an increase in pension scheme liabilities across all public sector pension schemes including Police and is measured through the pension valuation process. This valuation by the actuary is undertaken by GAD for the Police Pension Schemes and by Hymans for the Local Government Pension Scheme.

As instructed by the Staffordshire Commissioner's Office the Government Actuarial Department (GAD) have updated their calculations for the additional McCloud/Sargeant liability to allow for specific membership data, rather than using data for the Police scheme as a whole. In line with CIPFAs guidance, GAD have included this change in the re-measurement item. GAD have allowed for the additional accrual of "better of" benefits for affected members during the year April 2019 to March 2020. This additional liability has been included in the Current Service Cost.

The government will be consulting with members of all public sector pension schemes during the summer of 2020 to review the options available in order to ensure that members receive the correct remedy and ultimately correct pension benefits upon retirement. This process is likely to take up to three years to resolve and implement across the public sector.

1.2.9 Outlook

The Commissioner's 2020/21 precept increased by £8.53 per annum from April 2020 is only the fourth proposed increase by the commissioner since 2013/14. For the period 2013/14 to 2016/17, the Commissioner maintained council tax levels at the same level as 2012/13. His view had been that efficiencies should be delivered within policing and community safety before he would consider asking council tax payers for more. The rise was then 1.99% in 2017/18 and 6.29% in 2018/19 and 12.46% or £24.00 in 2019/20.

The commissioner has used his reserves before asking the public for a further contribution in council tax. The proposed precept enables the Commissioner to provide an increase in funding of £4.357m in 2020/21 in order to build a sustainable base budget, maintain and safeguard policing and community safety services across Staffordshire and Stoke on Trent, and make additional investment in his Police and Crime Plan.

The Commissioner has understood the current and emerging operational challenges, both nationally, regionally and locally, with particular reference to those areas included within the Force's Strategic Assessment. The recent recognition by Her Majesty's Inspectorate of Constabulary of the Forces strong delivery on Value for Money has been welcomed by the Commissioner.

Table below shows precept increase 2018/19 to 2020/21

Council Tax (Police Element)	2018/19	2019/20	2020/21
Band D Council Tax Proposed	£192.56	£216.56	£225.09
Increase on Prior Year	£11.40	£24.00	£8.53
Percentage increase on Prior Years	6.29%	12.46%	3.94%
Council Tax Increase	£3,892,934	£8,317,925	£4,357,196
Total Precept Levied	**£65,756,587**	**£75,055,560**	**£79,412,756**

The Government announced the provisional 2020/21 police finance settlement grant. The table bellows confirms the Home Office Funding arrangements for 2020/21 for Staffordshire.

Funding Source	2019/20 £000	2020/21 £000
Home Office Police Grant	107,139	115,158
Uplift Grant (Ringfenced)	0	2,532
Revenue Support Grant (RSG)	8,423	8,423
Council Tax Freeze Grant	3,541	3,541
Specific Pensions Grant	1,825	1,825
Home Office Funding For Staffordshire Police	**120,928**	**131,479**

The Staffordshire Commissioner is committed to continuing to delivering savings across both Staffordshire Police and Staffordshire Fire and Rescue Service in order to protect front line provision across both the Force and the Service.

During the year five enabling service departments (Commercial Services, Human Resources, Communications, Finance and Property Services) have been all been brought together as part of a shared service arrangement. Further opportunities to deliver more efficiencies through joint working will be reviewed and explored during 2020/21.

In addition, the joint Estates Strategy is being further developed and will see more properties shared across the estate in the coming year. Site sharing at Tamworth has already been implemented with Hanley being the next joint estate project to be delivered. A more efficient use of estate allows for a reduction in operating costs and importantly generates capital receipts that can be reinvested back into both the Police Force and Fire Service.

Planning for the future remains a challenge with a single year funding settlement expected for the next Comprehensive Spending Review period, which does not support and aid future planning. However the financial implications arising from the Covid-19 epidemic will inevitably have long term implications on the future funding of all public services and negatively impact upon the Medium Term Financial Strategy for the Group.

In his last term in Office the Staffordshire Commissioner will of course remain focused upon the long term financial stability of the Commissioner's Office and Staffordshire Police, supported by savings to be achieved through the collaboration agenda, and the intelligent use of resources and reserves.

These Accounts are due to be approved by the Staffordshire Commissioner following detailed review and recommendation by the Ethics, Transparency and Audit Panel on 28 October 2020.

David Greensmith ACMA CGMA
Director of Finance, Staffordshire Commissioner's Office / Section 151 Officer
Date

Section 2

Audit Certificate

2.1 Independent auditors report to the members of Staffordshire Commissioner

Opinion

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

- Police and Crime Commissioner for 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 and Group Pension Fund Account; and
- the related notes 1 to 8.3.6

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

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police and Crime Commissioner for 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's 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 Police and Crime Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Police and Crime Commissioner for Staffordshire Audited Group Statement of Accounts 2019/20 on pages 1 to 95, 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 April 2020, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Staffordshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 18, 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 2019/20, and for being satisfied that they give a true and fair view.

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 April 2020, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements. We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Helen Henshaw
Ernst & Young LLP.

Helen Henshaw (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham

18 December 2020

Section 3

Statement of Responsibilities

The Police and Crime Commissioner Responsibilities
The commissioner is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For this authority, the 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 2019/20.

Matthew Ellis
Police, Fire and Crime Commissioner for Staffordshire

Date

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 2020.

David Greensmith
Director of Finance, Staffordshire Commissioner's Office / S151 Officer

Date

Section 4

Accounting Policies

This section explains the accounting policies applied in producing the Statement of Accounts. The accounting policies apply to all of the Group, OPCC and CC single entity transactions and statements unless stated otherwise. Where the term “Group” is used below this refers to both the individual statements as well.

General Principles (IAS 8)
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 2019/20 (the Code) and the Service Reporting Code of Practice 2019/20 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
The Group has reviewed its accounting policies in accordance with IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors which sets out the principles to be adopted and disclosure that are required within the Statement of Accounts. Any appropriate changes have been applied.

Group Accounts
Under the Police Reform and Social Responsibility Act 2011, the roles of OPCC and CC 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 from where those 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 CC.

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.

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

- Revenue recognised from contracts with customers, including the disaggregation of revenue into appropriate categories
- Contract balances, including the opening and closing balances of receivables, contract assets and contract liabilities

- Performance obligations, including when the entity typically satisfies its performance obligations and the amount of the transaction price that is allocated to the remaining performance obligations in a contract
- Significant judgements, and changes in judgements, made in applying the requirements, and
- Assets recognised from the costs to obtain or fulfil a contract with a customer.

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 (IAS 10)
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 (IAS 20)
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 (IAS 17)
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 (IAS 19)
Benefits Payable during Employment
Under IAS19 short term employee benefits are those to be settled within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for the service in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements, flexi leave and time off in lieu earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable at year end. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the MIRS so that such benefits are charged to revenue in the financial year in which the benefit occurs. The accumulated cost is carried to the Chief Constable's Balance Sheet where 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 Section 8 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.

<u>The re-measurements comprise of:</u>
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 (IAS 31)
Jointly controlled operations are activities undertaken by the Group in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

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 (IAS 39)
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Financial Instruments (IFRS9)
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) (IAS 16) and Intangible Assets (IAS 38)
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 (IAS 39)
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 (IAS 16/38)
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 (IFRS 5)
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to Other Operating Expenditure line in the PCC and OPCC Group's Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on provision of services.

Depreciation is not charged on Assets Held for Sale.

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

Inventories/Stocks (IAS 2)
Stock is valued at the lower of cost or current replacement cost where it is held for distribution at no charge. The stock reflected in the Balance Sheet relates predominantly to uniforms and equipment which is distributed to officers as appropriate.

Provisions (IAS 37) /
Provisions have only been recognised in the accounts where there is a legal or constructive obligation to transfer economic benefits as a result of a past event and where such an amount can be reliably estimated. Provisions are charged to the CIES and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is eventually incurred, it is charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it is apparent that the provision is not required or is lower than originally anticipated, the provision is reversed and credited back to the relevant part of the CIES.

The 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.

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 2018/19. 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 2018/19 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. 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 8.

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 (IAS 40)
- Private Finance Initiatives and Similar Contracts.
- Heritage Assets
- Financial Instruments – soft loans

Critical Judgements in Applying Accounting Policies

In constructing the Going Concern position, the Group considered the Covid-19 position as follows:

The concept of a going concern assumes that the functions of the Office of the Police, Fire and Crime Commissioner for Staffordshire will continue in operational existence for the foreseeable future. The provisions in the Code (CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which policing services operate. These provisions confirm that, as policing services cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

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

As at the end of July 2020, the cost of COVID-19 stood at £0.4m, which includes £58k falling in 2019/20 which was offset by in-year underspends. The cost projections have been reviewed on a weekly basis throughout the crisis and will continue to be monitored closely. Whilst costs continue to be incurred and there is expected to be higher levels of expenditure on PPE into the future, there is no expectation that these will cause concerns with regard to ongoing financial viability of Staffordshire Police as all additional PPE costs are funded by Central Government. Councils are anticipating a potential deficit on the Collection Fund for Council Tax due to reduced collection rates and a decrease to the tax base (number of properties paying council tax). However, this will not affect the OPFCC's income in 2020/21. Under normal circumstances, any deficit arising on the Collection Fund would be declared during 2020/21 and distributed in 2021/22. However, the Ministry of Housing, Communities and Local Government (MHCLG) has announced a phasing scheme that allows deficits arising in 2020/21 to be repaid over 3 years rather than 1, smoothing the impact across 2021/22, 2022/23 and 2023/24.

We recognise that there remains uncertainty over the longer term impact of Covid-19 resulting from additional costs incurred and a reduction in Council Tax funding. A number of financial scenarios have been explored and will continue to be evaluated during 2020/21. In light of the scenario-modelling, an earmarked reserve has been created to supplement budgeted contingencies in 2020/21 and beyond, and as such there is expected to be minimal impact on the general reserve balance even if the worst case materialises.

Based upon the latest assumptions cash flow forecasts have been prepared out to the end of December 2021 which indicate for the most part positive cash balances. Cash balances will come under pressure around the early part of 2021 as is the normal cycle of operation and any shortfall can be met with PWLB borrowing should this be required. The assumptions used in the Medium Term Financial Plan (MTFP) and Reserves Strategy will be revised as necessary ahead of the next budget-setting round and reported to the Police Fire and Crime Panel.

Based on our assessment of the financial and liquidity position of the PFCC/CC following the Covid-19 outbreak, there are no material uncertainties or concerns on the basis of preparing the 2019/2020 financial statements as a going concern.

Section 5

Group Financial Statements

5.1 Movement in Reserves Statement

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 'unusable reserves'.

The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These 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	TOTAL UNUSABLE RESERVES £'000	TOTAL GROUP RESERVES £'000
Balance as at 01 April 2018		2,857	999	0	331	**4,187**	(1,972,706)	**(1,968,519)**
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	5.2	(99,523)	0	0	0	**(99,523)**	(82,408)	**(181,931)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations	6.1.1	101,137	0	4,868	0	**106,005**	(106,005)	**0**
Net increase/(decrease) before Transfers to Earmarked Reserves		1,614	0	4,868	0	6,482	(188,413)	(181,931)
Transfers To/From Earmarked Reserves		93	(93)	0	0	**0**	0	**0**
Increase or (Decrease) in 2018/19		**1,707**	**(93)**	**4,868**	**0**	**6,482**	**(188,413)**	**(181,931)**
Balance as at 31 March 2019		4,564	906	4,868	331	**10,669**	(2,161,119)	**(2,150,450)**
Balance as at 01 April 2019		4,564	906	4,868	331	**10,669**	(2,161,119)	**(2,150,450)**
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	5.2	(691)	0	0	0	**(691)**	270,922	**270,231**
Adjustments Between Accounting Basis and Funding Basis Under Regulations	6.1.1	11,716	0	(1,718)	0	**9,997**	(9,997)	**0**
Net increase/(decrease) before Transfers to Earmarked Reserves		11,025	0	(1,718)	0	**9,307**	260,924	**270,231**
Transfers To/From Earmarked Reserves		(9,238)	9,238	0	0	**0**	0	**0**
Increase or (Decrease) in 2019/20		1,787	9,238	(1,718)	0	**9,307**	260,924	**270,231**
Balance as at 31 March 2020		6,350	10,145	3,150	331	**19,976**	(1,900,195)	**(1,880,219)**

5.2 Comprehensive Income and Expenditure Statement

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 in section 6.1.

2018/19 Net Expenditure Published £'000	2018/19 Net Expenditure Restated £'000		Notes	2019/20 Net Expenditure £'000
(9,872)	(6,142)	Grants and Contributions	6.2.3	(7,087)
(4,473)	(4,473)	Reimbursements		(6,407)
(1,056)	(1,056)	Sales, Fees and Charges		(1,160)
(213)	(213)	Other Income		(222)
(15,614)	**(11,884)**	**Total Income**		**(14,877)**
61,104	61,104	Police Officer Pay and Allowances		75,180
60,508	60,508	Police Staff Pay and Allowances		65,606
3,614	3,614	Other Employee Expenses		4,655
5,172	5,172	Police Pensions		4,654
4,171	4,171	Premises		4,389
3,531	3,531	Transport		4,783
14,328	14,328	Supplies and Services		13,419
23,231	19,501	Agency and Contracted Services		18,039
7,612	7,612	Depreciation, Amortisation and Impairment		6,411
99,799	99,799	Non Distributed Costs		(4,706)
283,070	**279,340**	**Total Expenditure**		**192,430**
267,456	**267,456**	**Cost of Services**		**177,553**
(1,428)	(1,428)	(Surplus) or loss on disposals	6.2.1	(1,027)
59,529	59,529	Financing and Investment Income and Expenditure	6.2.2	62,747
(184,575)	(184,575)	Taxation and Non-Specific Grant Income	6.2.4	(197,308)
(41,459)	(41,459)	Grant Received From Home Office in respect of the pension fund account	6.2.4	(41,274)
99,523	**99,523**	**(Surplus) or deficit on Provision of Services**		**691**
(3,353)	(3,353)	(Surplus) or Deficit on revaluation of non-current assets	6.3.14	533
85,761	85,761	Re-measurement of the net defined benefit liabilities	8.2.1	(271,455)
82,408	**82,408**	**Other Comprehensive (Income) and Expenditure**		**(270,922)**
181,931	**181,931**	**Total Comprehensive (Income) and Expenditure**		**(270,231)**

5.3 Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised but the Group. The net assets of the authority (asset less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories.

Usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

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 2019 Published £'000	31 March 2019 Restated £'000		Notes	31 March 2020 £'000
51,220	51,220	Land and Buildings	6.3.1	47,881
3,179	3,179	Surplus Assets	6.3.1	951
16,603	16,603	Vehicles, Plant and Equipment	6.3.1	16,750
3,396	3,396	Intangible Assets	6.3.2	6,327
12,134	12,134	Assets under construction	6.3.1 & 6.3.3	14,806
192	192	Long-Term Debtors	6.3.4	112
86,724	**86,724**	**Long Term Assets**		**86,827**
0	0	Assets Held for Sale	6.3.5	1,363
501	501	Inventories	6.3.6	456
14,000	14,000	Short Term Investments	6.3.7	8,000
28,950	25,220	Short Term Debtors	6.3.8	24,635
3,936	3,936	Cash and Cash Equivalents	6.3.9	10,110
47,388	**43,657**	**Current Assets**		**44,564**
(5,541)	(5,541)	Short Term Borrowing	6.3.7	(1,182)
(34,387)	(30,657)	Short Term Creditors	6.3.10	(28,148)
(39,928)	**(36,198)**	**Current Liabilities**		**(29,330)**
(1,738)	(1,738)	Provisions	6.3.11	(2,426)
(71,800)	(71,800)	Long-Term Borrowing	6.3.7	(70,800)
0	0	Other Long Term Liabilities	6.3.12	0
(2,171,095)	(2,171,095)	Liability Related to Defined Benefit Pension Scheme	6.3.14	(1,909,054)
(2,244,633)	**(2,244,633)**	**Long Term Liabilities**		**(1,982,281)**
(2,150,451)	**(2,150,451)**	**Net Liabilities**		**(1,880,220)**
		Financed by:		
		Usable Reserves		
(4,564)	(4,564)	General Fund	6.3.13	(6,350)
(906)	(906)	Earmarked Reserves	6.3.13	(10,145)
(331)	(331)	Capital Grant Unapplied	6.3.13	(331)
(4,868)	(4,868)	Capital Receipt Reserve	6.3.13	(3,150)
2,161,120	2,161,120	Unusable Reserves	6.3.14	1,900,195
2,150,451	**2,150,451**	**Total Reserve**		**1,880,220**

5.4 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).

2018/19 Restated £'000		Notes	2019/20 £'000
(99,523)	**Net Surplus or (Deficit) on the provision of services**	5.2	**(691)**
124,455	Adjustments to net Surplus or (Deficit) on the provision of services for non-cash movements	6.4.1	15,995
(12,616)	Adjustment for items included in the net Surplus or (Deficit) on the provision of services that are investing and financing activities.	6.4.1	(3,365)
12,316	**Net cash flow Operating Activities**		**11,939**
(18,229)	Net cash flows from Investing Activities	6.4.2	(1,462)
7,139	Net cash flows from Financing Activities	6.4.3	(4,303)
1,227	**Net Increase or (decrease) in cash and cash equivalents**		**6,174**
2,710	Cash and cash equivalents at the beginning of the reporting period		3,936
3,936	Cash and cash equivalent at the end of the reporting period	6.3.9	10,110

Section 6

Notes to the Core Financial Statements

These notes provide information that supports and helps in interpreting the financial statements.

6.1 Movement in Reserves Statement (MIRS) notes

6.1.1 Adjustment between accounting basis and funding basis

This note details the adjustments that are made to the CIES 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.

GROUP 2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs (transferred to or from pension reserve)	7,476	0	0	(7,476)
Council tax (transfer to or from collection fund)	384	0	0	(384)
Holiday Pay (transfer to the Accumulated Absences Account)	649	0	0	(649)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital Expenditure (these items charged to the CAA)	9,284	0	0	(9,284)
Total Adjustment to Revenue Resources	**17,794**	**0**	**0**	**(17,794)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current assets sale proceeds from revenue to the Capital receipt reserve	(2,767)	2,767	0	0
Statutory provision for the repayment of debt MRP (transfer from the CAA)	(2,432)	0	0	2,432
Capital expenditure financed from revenue balances (transfer to the CAA)	(262)	0	0	262
Total Adjustment between Revenue and Capital Resources	**(5,461)**	**2,767**	**0**	**2,694**
Adjustment to Capital Resources				
Application of capital receipt to finance capital expenditure	0	(3,252)	0	3,252
Application of capital receipt to finance transformation expenditure	0	(1,233)	0	1,233
Application of capital grants to finance capital expenditure	(698)	0	0	698
Cash Payment to deferred capital receipt	81	0	0	(81)
Total Adjustment to Capital Resources	**(617)**	**(4,485)**	**0**	**5,102**
Total Group Adjustment	**11,716**	**(1,718)**	**0**	**(9,997)**
Less: Chief Constable only adjustments				
Pension Costs (transferred to or from pension reserve)	(7,214)	0	0	7,214
Holiday Pay (transfer to the Accumulated Absences Account)	(640)	0	0	640
Total PCC Adjustments	**3,861**	**(1,718)**	**0**	**(2,143)**

GROUP 2018/19	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs (transferred to or from pension reserve)	95,192	0	0	(95,192)
Council tax (transfer to or from collection fund)	(444)	0	0	444
Holiday Pay (transfer to the Accumulated Absences Account)	274	0	0	(274)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital Expenditure (these items charged to the CAA)	22,190	0	0	(22,190)
Total Adjustment to Revenue Resources	**117,212**	**0**	**0**	**(117,212)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current assets sale proceeds from revenue to the Capital receipt reserve	(12,055)	12,055	0	0
Statutory provision for the repayment of debt MRP (transfer from the CAA)	(1,905)	0	0	1,905
Capital expenditure financed from revenue balances (transfer to the CAA)	(1,538)	0	0	1,538
Total Adjustment between Revenue and Capital Resources	**(15,498)**	**12,055**	**0**	**3,443**
Adjustment to Capital Resources				
Application of capital receipt to finance capital expenditure	0	(4,370)	0	4,370
Application of capital receipt to finance transformation expenditure	0	(2,817)	0	2,817
Application of capital grants to finance capital expenditure	(660)	0	0	660
Cash Payment to deferred capital receipt	83	0	0	(83)
Total Adjustment to Capital Resources	**(577)**	**(7,187)**	**0**	**7,764**
Total Group Adjustment	**101,137**	**4,868**	**0**	**(106,005)**
Less: Chief Constable only adjustments				
Pension Costs (transferred to or from pension reserve)	(95,026)	0	0	95,026
Holiday Pay (transfer to the Accumulated Absences Account)	(274)	0	0	274
Total PCC Adjustments	**5,837**	**4,868**	**0**	**(10,705)**

6.1.2 Expenditure and Funding Analysis (EFA)

The EFA shows how annual expenditure is used and funded from resources (government grants and council tax) by the Group in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Group services. The income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

	2019/20		
	Net Expenditure Chargeable to General Fund £'000	Adjustments between funding and IFRS Basis £'000	CIES Net Expenditure £'000
Police Officer Pay and Allowances	93,318	18,139	75,180
Police Staff Pay and Allowances	54,499	(11,108)	65,606
Other Employee Expenses	4,655	0	4,655
Police Pensions	4,654	0	4,654
Premises	4,389	0	4,389
Transport	4,783	0	4,783
Supplies and Services	13,419	0	13,419
Agency and Contracted Services	18,039	0	18,039
Depreciation, Amortisation and Impairment	0	(6,411)	6,411
Non Distributed Costs	(541)	4,165	(4,706)
Total Expenditure	**197,215**	**4,786**	**192,430**
Grants and Contributions	(7,087)	0	(7,087)
Reimbursements	(6,407)	0	(6,407)
Sales, Fees and Charges	(1,160)	0	(1,160)
Other Income	(222)	0	(222)
Income	**(14,877)**	**0**	**(14,877)**
Net Cost of Services	**182,338**	**4,786**	**177,553**
(Surplus) or loss on disposals	0	1,027	(1,027)
Financing and Investment Income and Expenditure	3,631	(59,115)	62,747
Taxation and Non-Specific Grant Income	(196,995)	313	(197,308)
Grant Received From Home Office in respect of the pension fund account	0	41,274	(41,274)
(Surplus) or deficit on Provision of Services	**(11,025)**	**(11,716)**	**691**
(Surplus) or Deficit on revaluation of non current assets	0	(533)	533
Re-measurement of the net defined benefit liabilities	0	271,455	(271,455)
Transfers To/(From) Earmarked Reserves	9,238	9,238	0
Net (Surplus) / Deficit funded from General Fund	**(1,787)**	**268,444**	**(270,231)**
Opening General Fund	4,564		
Budgeted Transfer to General Fund	1,345		
Underspend during the year against Budget	441		
Closing General Fund	**6,350**		

	2018/19 (Restated)		
	Net Expenditure Chargeable to General Fund	Adjustments between funding and IFRS Basis	CIES Net Expenditure
	£'000	£'000	£'000
Police Officer Pay and Allowances	89,173	28,069	61,104
Police Staff Pay and Allowances	53,061	(7,446)	60,508
Other Employee Expenses	3,614	0	3,614
Police Pensions	5,172	0	5,172
Premises	4,171	0	4,171
Transport	3,531	0	3,531
Supplies and Services	14,328	0	14,328
Agency and Contracted Services	19,501	0	19,501
Depreciation, Amortisation and Impairment	0	(7,612)	7,612
Non Distributed Costs	(335)	(100,134)	99,799
Total Expenditure	**192,216**	**(87,123)**	**279,340**
Grants and Contributions	(6,142)	0	(6,142)
Reimbursements	(4,473)	0	(4,473)
Sales, Fees and Charges	(1,056)	0	(1,056)
Other Income	(213)	0	(213)
Income	**(11,884)**	**0**	**(11,884)**
Net Cost of Services	**180,333**	**(87,123)**	**267,456**
(Surplus) or loss on disposals	0	1,428	(1,428)
Financing and Investment Income and Expenditure	1,524	(58,005)	59,529
Taxation and Non-Specific Grant Income	(183,471)	1,104	(184,575)
Grant Received From Home Office in respect of the pension fund account	0	41,459	(41,459)
(Surplus) or deficit on Provision of Services	**(1,614)**	**(101,137)**	**99,523**
(Surplus) or Deficit on revaluation of non current assets	0	3,354	(3,354)
Re-measurement of the net defined benefit liabilities	0	(85,761)	85,761
Transfers To/(From) Earmarked Reserves	(93)	(93)	0
Net (Surplus) / Deficit funded from General Fund	**(1,707)**	**(183,639)**	**181,930**
Opening General Fund	2,857		
Budgeted Transfer to General Fund	503		
Underspend during the year against Budget	1,204		
Closing General Fund	**4,564**		

6.1.3 Notes to Expenditure and Funding Analysis

2019/20	Adjustments for Capital Purpose £'000	Net Changes for Pensions IAS19 £'000	Other Differences £'000	Total £'000
Police Officer Pay and Allowances	0	18,540	(401)	**18,139**
Police Staff Pay and Allowances	0	(10,860)	(248)	**(11,108)**
Other Employee Expenses	0	0	0	**0**
Depreciation, Amortisation and Impairment	(6,411)	0	0	**(6,411)**
Non Distributed Costs	0	4,165	0	**4,165**
Net Cost of Services	**(6,411)**	**11,845**	**(649)**	**4,786**
(Surplus) or loss on disposals	1,027	0	0	**1,027**
Financing and Investment Income and Expenditure	1,480	(60,595)	0	**(59,115)**
Taxation and Non-Specific Grant Income	698	0	(384)	**313**
Grant Received From Home Office in respect of the pension fund account	0	41,274	0	**41,274**
Surplus or (deficit) on Provision of Services	**(3,206)**	**(7,476)**	**(1,033)**	**(11,716)**
(Surplus) or Deficit on revaluation of non current assets	(533)	0	0	**(533)**
Re-measurement of the net defined benefit liabilities	0	271,455	0	**271,455**
Transfers To/(From) Earmarked Reserves	0	0	9,238	**9,238**
Difference between General Fund and CIES Surplus or Deficit on the Provision Of Services	**(3,739)**	**263,979**	**8,205**	**268,444**

(Restated) 2018/19	Adjustments for Capital Purpose £'000	Net Changes for Pensions IAS19 £'000	Other Differences £'000	Total £'000
Police Officer Pay and Allowances	0	28,010	59	**28,069**
Police Staff Pay and Allowances	0	(7,113)	(333)	**(7,446)**
Other Employee Expenses	0	0	0	**0**
Depreciation, Amortisation and Impairment	(7,612)	0	0	**(7,612)**
Non Distributed Costs	0	(100,134)	0	**(100,134)**
Net Cost of Services	**(7,612)**	**(79,237)**	**(274)**	**(87,123)**
(Surplus) or loss on disposals	1,428	0	0	**1,428**
Financing and Investment Income and Expenditure	(591)	(57,414)	0	**(58,005)**
Taxation and Non-Specific Grant Income	660	0	444	**1,104**
Grant Received From Home Office in respect of the pension fund account	0	41,459	0	**41,459**
Surplus or (deficit) on Provision of Services	**(6,115)**	**(95,192)**	**170**	**(101,137)**
(Surplus) or Deficit on revaluation of non current assets	3,354	0	0	**3,354**
Re-measurement of the net defined benefit liabilities	0	(85,761)	0	**(85,761)**
Transfers To/(From) Earmarked Reserves	0	0	(93)	**(93)**
Difference between General Fund and CIES Surplus or Deficit on the Provision Of Services	**(2,761)**	**(180,953)**	**77**	**(183,639)**

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).

6.1.4 Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund to provide financing for future expenditure plans.

GROUP AND PCC 2018/19	Balance at 01 April 2018	Transfer Out	Transfer In	Balance at 31 March 2019	Transfer Out	Transfer In	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reshaping the Future	15	0	0	15	0	996	1,011
IT Transformation	0	0	0	0	0	2,205	2,205
Insurance Reserve	54	0	240	294	(334)	388	348
Pension Reserve	0	0	0	0	0	1,314	1,314
Collaboration Reserve	0	0	0	0	0	250	250
Capital Reserve	0	0	0	0	0	1,286	1,286
ESN Reserve	0	0	0	0	0	617	617
Covid-19	0	0	0	0	0	478	478
Operational Reserves	930	(743)	410	597	(138)	2,177	2,636
Total Earmarked Reserves	**999**	**(743)**	**650**	**906**	**(472)**	**9,711**	**10,145**

6.1.5 Prior Period Adjustments

The following explains the differences between the amounts presented in the 2018/19 financial statements and the comparative amounts presented in the 2019/20 financial statements.

During the 2019/20 financial accounts preparation the treatment of cash entries in the Cash Flow Statement has been reviewed. It was recognised that items have not be classified in line with The Code. In addition the operating lease disclosure note has also been reviewed and it was highlighted that the banding was incorrect. Both of these disclosure notes have now been restated.

During the review it was acknowledged that the Officers' Remuneration banding note has included all senior officers' overs the £50,000. This did not comply with The Code which states that senior officers are officers who rank above the rank of superintendent and above; this disclosure note has not been restated to show the correct remuneration banding.

There has been a movement between the revaluation reserve and capital adjustment account of £3.074m which refers to the reversal of the opening impairment reserve from the opening revaluation reserve gains. This was amended in the prior financial year.

Group Balance Sheet

	Published 2018/19 £'000	Audit adjustment £'000	Restated 2018/19 £'000
Unusable Reserves			
Revaluation Reserve	(10,714)	3,074	(7,640)
Capital Adjustment Account	(2,491)	(3,074)	(5,565)
Deferred Capital Receipt Reserve	(291)		(291)
Collection Fund Adjustment Account	(2,068)		(2,068)
Pensions Reserve	2,173,033		2,173,033
Accumulated Absences Account	3,650		3,650
Total	**2,161,120**		**2,161,120**

And finally the accounting treatment of the joint operations ROCU has been reviewed. It has been recognised that previously the accounting entries have been treated as gross payable and receivable whereas the income and expenditure should be netted off, similarly the debtors and creditors also netted off. Previous financial statements have also been presented in this way.

The overall impact on the Cost of Services and the Total Comprehensive Income and Expenditure is nil however the reconsidered treatment results in a presentation change of £3.7m between the Total Income and Total expenditure. Similarly the net liabilities on the balance sheet remain the same although this results in a presentation change of £3.7m between Debtors and Creditors.

The effects of the above changes on the core statements are as follows:

Group Comprehensive Income and Expenditure Statements (CIES)

	Published 2018/19 £'000	ROCU adjustment £'000	Restated 2018/19 £'000
Income			
Grants and Contributions	(9,872)	3,730	(6,142)
Total Income	**(9,872)**		**(6,142)**
Expenditure			
Agency and Contracted Services	23,231	(3,730)	19,501
Total Expenditure	**23,231**		**19,501**

Group Balance Sheet

	Published 2018/19 £'000	ROCU adjustment £'000	Restated 2018/19 £'000
Current Assets			
Short Term Debtors	28,950	(3,730)	25,220
Total	**28,950**		**25,220**
Current Liabilities			
Short Term Creditors	(34,387)	3,730	(30,657)
Total	**(34,387)**		**(30,657)**

6.2 Comprehensive Income and Expenditure (CIES) notes

6.2.1 Other Operating Expenditure

	Receipts for Sale of Assets £'000	Carrying Amount £'000	Less Depreciation £'000	Less Cost of Sale £'000	(Surplus)/ Loss on Disposals £'000
31 March 2020	2,668	(2,082)	441	0	1,027
31 March 2019	11,995	(11,071)	543	(39)	1,428
31 March 2018	544	(1,431)	741	(4)	(150)
31 March 2017	222	(730)	560	0	52

6.2.2 Financing and Investment Net Expenditure

Financing and Investment includes the following items,

2018/19 Group £'000	2018/19 PCC £'000		2019/20 Group £'000	2019/20 PCC £'000
2,226	2,226	Interest Payable and Similar Charges	2,355	2,355
57,414	54	Pension Net Interest Costs	60,595	66
(111)	(111)	Interest Receivable and Similar Income	(204)	(204)
59,529	**2,169**	**Total**	**62,746**	**2,218**

6.2.3 Specific Grants

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

2018/19 Group (Restated) £'000	2018/19 PCC £'000	Body		2019/20 Group £'000	2019/20 PCC £'000
1,302	1,302	Victim Service Grant	MOJ	1,301	1,301
1,217	0	Safer Roads Partnership	SCC	1,323	0
0	0	Innovation Fund	Home Office	393	393
0	0	Officer Uplift Grant	Home Office	434	0
401	0	Counter Terrorism	Home Office	247	0
147	147	Loan Charges	Home Office	144	144
123	123	FGM Grant	Home Office	93	93
786	0	Other Grants	Home Office	732	0
3,976	**1,572**	**Total Specific Grants**		**4,667**	**1,931**
2,166	650	Contributions		2,420	1,728
6,142	**2,222**	**Total Grants and Contributions**		**7,087**	**3,659**

6.2.4 Taxation and Non-Specific Grant Income

2018/19 £'000		2019/20 £'000
(66,992)	Precepts	(75,681)
(65,558)	Police Revenue Grant	(66,984)
(39,378)	Non-Domestic Rates Redistribution	(40,156)
(8,423)	Localisation of Council Tax	(8,423)
(3,541)	Council Tax Freeze Grant	(3,541)
0	Police Pension Grant	(1,825)
(683)	Capital Grants and Contribution	(698)
(184,575)	**Taxation and Non-Specific Grant Income PCC**	**(197,308)**
(41,459)	Home Office Pension Top Up Grant	(41,274)
(226,034)	**Taxation and Non-Specific Grant Income Group**	**(238,581)**

6.2.5 Audit Fees

The audit fees payable in 2019/20 to the Auditors in relation to the audit of OPCC Group accounts were as follows: The 18/19 audit fees disclosed included additional fee for Value for Money in the 17/18 audit following approval by Public Sector Audit Appointment.

2018/19 Group £'000	2018/19 PCC £'000		2019/20 Group £'000	2019/20 PCC £'000
40	24	External Audit Fees	35	23
6	4	PSAA Scale Variation Fees	(4)	(3)
46	**28**	**Total**	**31**	**20**

6.2.6 Operating Leases

The OPCC Group leases various land and buildings. The amount paid under these arrangements in 2019/20 was £552k (£528k in 2018/19).

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:

2018/19 (Restated) £'000		2019/20 £'000
408	No Later Than One Year	433
1,591	Later Than One Year and Not Later Than Five Years	1,634
4,421	Later Than Five Years	4,080
6,419	**Total**	**6,147**

6.2.7 Material Items and Income and Expenditure

There are no material items of Income or Expenditure in 2019/20 that require specific disclosure.

6.3 Balance Sheet Statement Notes

6.3.1 Property, Plant and Equipment (PPE)

The PCC holds all the Groups PPE. Assets are strategic in nature and are controlled by the PCC to achieve strategic outcomes. The movements on the balances of the PPE assets are shown in the following tables:

GROUP AND PCC MOVEMENTS 2019/20	Land and Building £'000	Surplus Assets £'000	Assets Under Construction £'000	Vehicles, Plant and Equipment £'000	Total Property, Plant and Equipment £'000
Value at 01 April 2019	54,470	3,210	624	52,746	111,050
Adjustments	0	0	0	0	0
Additions	223	63	749	2,968	4,003
Disposals	(250)	(1,575)	0	(507)	(2,332)
Derecognition other	0	0		(1,415)	(1,415)
Revaluations	(3,223)	150	0	0	(3,073)
Impairment	(223)	(121)	0	0	(344)
Transfers	(550)	(777)	(555)	497	(1,385)
Gross Book Value at 31 March 2020	50,448	950	818	54,288	106,504
Depreciation and Impairment:					
Cumulative net to 01 April 2019	(3,251)	(31)	0	(36,143)	(39,425)
Depreciation Charge	(956)	0	0	(3,151)	(4,107)
Derecognition other	0	0	0	1,323	1,323
Disposals	250	10	0	432	692
On revaluations	1,367	23	0	0	1,390
Other Movements	23	(1)	0	0	22
Depreciation at 31 March 2020	(2,567)	1	0	(37,538)	(40,104)
Net Book Value 2020	**47,881**	**951**	**818**	**16,750**	**66,400**
Net Book Value 2019	51,219	3,179	624	16,603	71,625

GROUP AND PCC MOVEMENTS 2018/19	Land and Building £'000	Surplus Assets £'000	Assets Under Construction £'000	Vehicles, Plant and Equipment £'000	Total Property, Plant and Equipment £'000
Value at 01 April 2018	54,652	2,250	897	49,699	107,498
Adjustments	2,072	0	(612)	0	1,460
Additions	498	(8)	387	3,809	4,686
Disposals	0	0	0	(675)	(675)
Revaluations	(1,248)	30	0	0	(1,218)
Impairment	(574)	8	0	(87)	(653)
Transfers	(930)	930	(48)	0	(48)
Gross Book Value at 31 March 2019	54,470	3,210	624	52,746	111,050
Depreciation and Impairment:					
Cumulative net to 01 April 2018	(3,685)	(213)	0	(32,240)	(36,138)
Adjustment	(25)	65	0	0	40
Depreciation Charge	(1,384)	(13)	0	(4,502)	(5,899)
Disposals	0	0	0	599	599
On revaluations	1,801	172	0	0	1,973
Other Movements	42	(42)	0	0	0
Depreciation at 31 March 2019	(3,251)	(31)	0	(36,143)	(39,425)
Net Book Value 2019	**51,219**	**3,179**	**624**	**16,603**	**71,625**
Net Book Value 2018	50,967	2,037	897	17,459	71,360

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation in 2019/20.

- Land and Building (Inc. Components) 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 2019/20 a number of contracted schemes which were not completed before 31st March 2020. The potential budgeted capital commitment arising from those schemes is estimated to be £1.665m (£1.271m in 2018/19).

Valuation of non-current assets
In 2019/20 the Group engaged Cameron Butler BLE (Hons) MRICS, of FHP Property Consultants to value the land and buildings at least every 5 years, to ensure all asserts held on the Balance Sheet comply with as per IAS16 by being revalued sufficiently regularly.

The revaluation has resulted in a downward revaluation of £1.683m

The valuations have all been carried out in accordance with the Royal Institute of Charted Surveyors' current appraisal and valuation standard Manuel. The sources and assumptions made when producing the valuations are set out in the valuation certificate and reports.

	Land and Building £'000	Surplus Assets £'000	Assets Under Construction £'000	Asset Held for Sale £'000	Vehicles, Plant and Equipment £'000	Total Property, Plant and Equipment £'000
Carried at Historical Cost:	0	0	14,805	0	54,288	69,093
Valued at Fair Value as at:						
31 March 2020	(4,023)	(2,260)	0	1,363		(4,920)
31 March 2019	(181)	960	0	(10,249)	0	(9,470)
31 March 2018	2,247	(40)	0	1,749	0	3,956
31 March 2017	8,817	0	0	1,000	0	9,817
Up to 31 March 2016	43,587	2,290	0	7,500	0	53,377
Total Gross Cost or Valuation	**50,448**	**950**	**14,805**	**1,363**	**54,288**	**121,853**

6.3.2 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 general software.

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 £0.612m was charged to revenue in 2019/20, (£0.674m in 2018/19).

2018/19 £'000		2019/20 £'000
	Group and PCC Balance as at 1 April	
10,541	Gross Carrying Amount	12,559
(8,489)	Accumulated Amortisation	(9,162)
2,052	**Net Carrying Amount at Start of Year**	**3,397**
2,019	Additions	409
0	Transfer	3,133
(674)	Amortisation for the period	(612)
1,345	**Net Carrying Amount at End of Year**	**2,931**
	Comprising:	
12,559	Gross Carrying Amounts	16,102
(9,162)	Accumulated Amortisation	(9,774)
3,397	**Group and PCC Balance as at 31 March**	**6,327**

6.3.3 Intangible Assets under construction

2018/19 £'000		2019/20 £'000
1,484	**Group and PCC Balance as at 1 April**	11,511
612	Prior year Adjustments	0
9,415	Additions	5,610
0	Transfer	(3,133)
11,511	**Group and PCC Balance as at 31 March**	**13,988**

6.3.4 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 6.3.14 as an unusable reserve of £0.211m.

This is balanced by the debtor for these payments which are shown as £0.112m here as a debtor due in more than 12 months with the remaining payment expected being shown as a short term debtor of £0.099m included in the figures in Note 6.3.8.

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.

6.3.5 Asset Held for Sale

2018/19 £'000		2018/19 £'000
10,238	**Group and PCC Balance as at 1 April**	0
	Assets newly classified as held for sale	
122	Adjustments	0
44	Additions	0
0	Transfers	1,363
0	Revaluations	0
(10,360)	Disposals	0
(44)	Other Movements	0
0	**Group and PCC Balance as at 31 March**	**1,363**

6.3.6 Inventories

During 2019/20 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 £0.456m does however reflect the value of a number of different stock types including ammunition, protective clothing and uniform as at 31st March 2020 (£0.501m 2018/19).

6.3.7 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 2020 for all Public Works Loan Board (PWLB) loans and the market rate applicable at the 31st March 2020 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 6.3.8 and 6.3.10.
- The fair values in 2019/20 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.

31 March 2019 (Restated)			31 March 2020	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		<u>Financial Liabilities</u>		
71,800	86,527	PWLB Long Term Borrowing	70,800	87,348
71,800	**86,527**		**70,800**	**87,348**
2,000	2,132	PWLB Short Term Borrowing	1,000	1,017
3,271	3,000	Short Term OLAS	0	0
270	270	Interest due within one year	182	182
5,541	**5,402**		**1,182**	**1,199**
20,352	20,352	Creditors which are financial instruments	16,136	16,136
97,693	**112,281**	**Group and PCC Total Liability**	**88,118**	**104,683**

31 March 2019 (Restated) Carrying Amount £'000	Fair Value £'000		31 March 2020 Carrying Amount £'000	Fair Value £'000
		Financial Assets		
14,000	14,100	Fixed Term Deposits	8,000	8,000
14,000	**14,100**	**Total Short Term Investments**	**8,000**	**8,000**
		Cash Equivalents		
337	337	Cash Equivalents	210	210
3,600	3,600	Fixed Term Deposits	9,900	9,900
3,937	**3,937**	**Total Cash and Cash Equivalents**	**10,110**	**10,110**
5,264	5,264	Debtors which are financial instruments	8,847	8,847
23,201	**23,301**	**Group and PCC Total Assets**	**26,957**	**26,957**

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 31st 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	3,900	N/A	N/A	N/A
Customers	945	2.70%	2.70%	29

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 £141k of the £956k balance (£2.531m of £3.000m in 2018/19) is past its due date for payment but has not been impaired. The past due amount can be analysed by age as follows:

	31st March 2019 £'000	31st March 2020 £'000
Less than three months	1,820	127
Three to six months	1	13
Six months to one year	710	1
More than one year	0	0
Total	**2,531**	**141**

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:

	31st March 2019 £'000	31st March 2020 £'000
Analysis by lender		
Public Work Loan Board (PWLB)	73,800	71,800
Other Local Authorities	3,271	0
	77,071	**71,800**
Analysis by Maturity		
Less than one year	5,271	1,000
Between one to two years	1,000	3,600
Between two to five years	7,700	5,700
More than five years	63,100	61,500
Total	**77,071**	**71,800**

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 2020, 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	57
Impact on CIES	57
Decrease in fair value of fixed rate borrowing liabilities	11,535
(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.

6.3.8 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 Group during 2018/19 and 2019/20.

31 March 2019 Group (Restated) £'000	31 March 2019 PCC (Restated) £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
14,691	14,691	Central government bodies	11,793	11,793
4,712	4,712	Other Local authorities	6,621	6,621
22	22	NHS Bodies	59	59
7	7	Public corporations	0	0
5,789	5,789	Other entities and individuals	6,161	6,161
25,221	**25,221**	**Total short term debtors**	**24,635**	**24,635**

6.3.9 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 2018/19 and 2019/20.

31 March 2019 Group £'000	31 March 2019 PCC £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
		Current assets:		
318	318	Cash in hand and Bank current account	210	210
3,619	3,619	Short term deposits	9,900	9,900
3,937	**3,937**	**Total current cash and equivalents Group and PCC**	**10,110**	**10,110**

6.3.10 Short Term Creditors

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

31 March 2019 Group (Restated) £'000	31 March 2019 PCC (Restated) £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
4,087	998	Central government bodies	3,699	352
3,241	1,303	Other Local authorities	4,669	4,669
15	15	NHS Bodies	133	133
0	0	Public corporations	0	0
23,313	19,682	Other entities and individuals	19,647	15,375
30,657	21,998	**Sub Total**	28,148	20,529
0	4,827	Intra Group Funding	0	5,773
30,657	**26,825**	**Total short term creditors**	**28,148**	**26,302**

6.3.11 Provisions

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

Insurance Provision

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

31 March 2019 £'000		31 March 2020 £'000
2,073	**Group and CC Balance as at 1 April**	1,738
505	Contributions to provision in year	1,229
(840)	Net expenditure in year	(541)
1,738	**Group and CC Balance as at 31 March**	**2,426**

6.3.12 Other Long Term Liabilities

There are none Other Long Term Liabilities in the Balance Sheet.

6.3.13 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 2019/20. All Usable Reserves are held by the PCC.

31 March 2019 £'000		31 March 2020 £'000
4,564	**General Fund**	6,350
4,868	**Capital receipt reserve**	3,150
331	**Capital grants unapplied**	331
15	Reshaping the future	1,011
0	IT Transformation Reserve	2,205
0	Covid-19	478
0	ESN reserve	617
0	Capital Reserve	1,286
294	Insurance reserve	348
0	Pension reserve	1,314
0	Collaboration Reserve	250
597	Other operational reserves	2,636
906	**Earmarked Reserves**	10,145
10,669	**Total Usable Reserves**	**19,976**

- **General Fund** is held to protect against any spate or emergency conditions which may arise. The level held is based on a risk assessment.
- **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 because when Officers leave on ill health reasons the OPCC are required to make contribution from the revenue budget towards the pension scheme.
- **Capital Reserve**- Revenue funding which has been set aside for future capital projects.
- **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 2019/20.

6.3.14 Unusable Reserves

The Group and PCC keeps a number of reserves that are required to be held for statutory reasons. They cannot be used to provide services. Majority of the Pension Reserve and Accumulated Absences Reserves are held by the Chief Constable and all other unusable reserves are held by the PCC. The unusable reserves can be summarised as follows:

31 March 2019 Group (Restated) £'000	31 March 2019 PCC (Restated) £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
(7,640)	(7,640)	Revaluation Reserve	(6,806)	(6,806)
(5,565)	(5,565)	Capital Adjustment Account	(4,459)	(4,459)
(291)	(291)	Deferred Capital Receipt Reserve	(211)	(211)
(2,068)	(2,068)	Collection Fund Adjustment Account	(1,683)	(1,683)
2,173,033	2,498	Pension Reserve	1,909,054	1,938
3,650	19	Accumulated Absences Account	4,299	27
2,161,120	**(13,047)**	**Total Unusable Reserves**	**1,900,195**	**(11,194)**

The Group's unusable reserves are in deficit due to the pension reserve. The pension reserve reflects the deficit on the Group's defined pension scheme and in particular the police schemes which are not funded by assets but are supported by central funding from the Home Office.

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.

2018/19 (Restated) £'000		2019/20 £'000
9,946	**Group and PCC Balance as at 1 April**	7,641
841	Prior year adjustments	0
2,977	Upwards revaluation of assets	1,588
(463)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(2,121)
3,355	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	(533)
(276)	Prior year adjustments	0
(343)	Different between fair value depreciation and historical cost depreciation	(105)
(1,967)	Accumulated gains on assets sold or scrapped	(197)
(2,586)	**Amount written off the Capital Adjustment Account**	(302)
(3,074)	2019/20 Audit adjustment	
7,641	**Group and PCC Balance as at 31 March**	**6,806**

Capital Adjustment Account (CAA)

The CAA 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 CIES (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 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.

2018/19 (Restated) £'000		2019/20 £'000
10,818	**Group and PCC Balance as at 1 April**	5,564
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
1,525	Prior year adjustments	0
3,074	2019/20 Audit adjustment	0
(7,080)	Charges for depreciation and impairments of non-current assets	(4,542)
(1,363)	Revaluation losses on PPE	(1,150)
(674)	Amortisation of intangible assets	(611)
(10,530)	Amounts of non-current assets written off on disposal as part of gain/loss on disposals to the CIES	(1,640)
(2,567)	Revenue expenditure funded from capital under statute (REFCUS)	(107)
(17,615)		(8,050)
2,586	Adjusting amounts written out of the revaluation reserve	302
(15,029)	**Net written out amount of the cost of non-current assets consumed in the year**	**(7,748)**
	Capital financing in year:	
(33)	Adjustment	
7,187	Use of Capital Receipt Reserve to finance new capital expenditure	3,252
683	Capital Grants and contributions credited to the CIES that have been applied to capital financing	697
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
33	Capital Expenditure charged to General Fund	262
1,905	Statutory provision for the financing of capital investment charged against the General Fund	2,432
5,564	**Group and PCC Balance as at 31 March**	**4,459**

Deferred Capital Receipt Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Group does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The balance relates to the disposal of the Staffordshire Police share of the Central Counties' Air Operations Unit helicopter.

2018/19 £'000		2019/20 £'000
364	**Group and PCC Balance as at 1 April**	291
(73)	Transfer to the Capital Receipt Reserve upon receipt of cash	(80)
291	**Group and PCC Balance as at 31 March**	**211**

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.

2018/19 £'000		2019/20 £'000
1,623	**Group and PCC Balance as at 1 April**	2,067
444	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(384)
2,067	**Group and PCC Balance as at 31 March**	**1,683**

Pension 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 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.

31 March 2019 Group £'000	31 March 2019 PCC £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
(1,992,081)	(1,951)	**Balance as at 1 April**	(2,173,034)	(2,498)
(85,761)	(381)	Re-measurement of the net defined benefit liability	269,517	822
(213,588)	(324)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	(128,066)	(382)
78,875	158	Employer's pensions contribution and direct payments to pensioners payable in year	79,316	120
(1,938)	0	LGPS deficit contribution prepayment	1,938	0
41,459	0	Additional contribution to the pension fund balance the deficit on the fund account	41,274	0
(2,173,034)	**(2,498)**	**Total Balance as at 31 March**	**(1,909,055)**	**(1,938)**

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 2019 and 31st March 2020.

31 March 2019 Group £'000	31 March 2019 PCC £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
(3,376)	(19)	**Balance as at 1 April**	(3,650)	(19)
3,376	19	Settlement of cancellation of accrual made at the end of the preceding year	3,650	19
(3,650)	(19)	Amount accrued at the end of the current year	(4,299)	(27)
(274)	0	Amount by which office remuneration charged to the CIES on accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(649)	(8)
(3,650)	**(19)**	**Total Balance as at 31 March**	**(4,299)**	**(27)**

6.4 Cash Flow Statement Notes

6.4.1 Operating Activities

31 March 2019 Group (Restated) £'000	31 March 2019 PCC (Restated) £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
6,426	6,426	Depreciation	4,106	4,106
1,363	1,363	(Upward)/downward valuation	1,150	1,150
674	674	Amortisation of intangible assets	611	611
(851)	(851)	Impairment and Charges	436	436
8,386	5,838	Increase/(decrease) in revenue creditors	(2,509)	(526)
4,705	4,705	(Increase)/decrease in revenue debtors	584	584
(1)	(1)	(Increase)/decrease in inventories	42	42
93,254	166	Movement in pension liability	9,414	262
(335)	0	Movement in provisions	689	0
10,528	10,528	Carrying amount of non-current assets sold	1,640	1,640
306	306	Other non-cash items charged to the net surplus or deficit on the provision of services	(169)	(169)
124,455	**29,155**	**Adjustment to net surplus or (deficit) on the provision of services for non-cash movements**	**15,995**	**8,140**

Adjustments for items included in the net deficit on the provision of services that are investing or financing activities

31 March 2019 Group (Restated) £'000	31 March 2019 PCC (Restated) £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
(11,956)	(11,956)	Proceeds from the sale of PPE	(2,668)	(2,668)
(660)	(660)	Capital Grants	(697)	(697)
(12,616)	**(12,616)**	**Adjustment for items included in the net surplus of (deficit) on the provision of services that are investing and financing activities**	**(3,365)**	**(3,365)**

6.4.2 Investing Activities

31 March 2019 Group (Restated) £'000	31 March 2019 PCC (Restated) £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
(16,185)	(16,185)	Purchase of PPE and Intangible Assets	(10,130)	(10,130)
11,956	11,956	Proceeds from the sale of PPE	2,668	2,668
(14,000)	(14,000)	Purchase of short term and long term investments	0	0
0	0	Proceeds from short term and long term investments	6,000	6,000
(18,229)	**(18,229)**	**Total Investing Activities**	**(1,462)**	**(1,462)**

6.4.3 Financing Activities

31 March 2019 Group (Restated) £'000	31 March 2019 PCC (Restated) £'000		31 March 2020 Group £'000	31 March 2020 PCC £'000
(11,521)	(11,521)	Repayments of short term and long term borrowing	(5,000)	(5,000)
18,000	18,000	Cash receipts of short and long term borrowing	0	0
660	660	Capital grants	697	697
7,139	**7,139**	**Total Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities**	**(4,303)**	**(4,303)**

6.5 Other Notes

6.5.1 Termination Benefits and Exit Packages

During 2019/20 the Group approved 32 voluntary redundancies and early retirements (6 in 2018/19) at a total cost of £0.568m (£0.141m 2018/19). 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	
	2018/19	2019/20	2018/19 £	2019/20 £
£0- £20,000	2	27	29,413	357,922
£20,001 - £40,000	4	4	111,168	124,443
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	1	0	85,694
Total	**6**	**32**	**140,581**	**568,059**

6.5.2 Officers Remuneration

The number of employees whose remuneration, excluding employer's pension contribution, was £50,000 or more in bands of £5,000 were:

Group (Restated) 2018/19 Number of employees	Remuneration Band	Group 2019/20 Number of employees
0	£50,000 - £54,999	0
0	£55,000 - £59,999	0
0	£60,000 - £64,999	0
1	£65,000 - £69,999	0
0	£70,000 - £74,999	0
0	£75,000 - £79,999	1
2	£80,000 - £84,999	1
3	£85,000 - £89,999	2
0	£90,000 - £94,999	4
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
1	£110,000 - £114,999	0
0	£115,000 - £119,999	0
1	£120,000 - £124,999	1
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	1
0	£140,000 - £144,999	0
0	£145,000 - £149,999	0
1	£150,000 - £154,999	1
9	**Total**	**11**

The banding only include the remuneration of employees and relevant police officers who have not been disclosed individually; above the rank of Superintendent.

6.5.3 Disclosure of Remuneration for Senior Executives

Post Holder Information	Notes	Salary £	Bonuses and Allowances £	Benefits in Kind (BIK) £	Other Payments £	Total Remuneration Excluding Pension Contribution £	Pension Contribution £	Total Remuneration £
Senior Executives of the Chief Constable								
Gareth Morgan - Chief Constable	2	151,317	0	0	3,066	154,384	0	154,384
Temporary Chief Constable	3,4	50,885	0	0	878	51,763	0	51,763
Deputy Chief Constable		82,793	0	0	1,757	84,549	0	84,549
Temporary Deputy Chief Constable	3,5	42,011	0	0	878	42,889	13,023	55,912
Assistant Chief Constable (A)		76,360	0	0	1,756	78,116	22,754	100,870
Assistant Chief Constable (B)	1	80,227	0	0	2,196	82,423	23,947	106,370
Temporary Assistant Chief Constable (C)	3,6	29,596	4,468	0	0	34,064	9,249	43,314
Temporary Assistant Chief Constable (D)	3	21,175	3,196	0	312	24,683	6,937	31,620
Director of People and Resources		108,663	0	0	0	108,663	16,843	125,506
Chief Finance Officer (Section 151 Officer)		80,370	0	0	0	80,370	0	80,370
Sub Total Chief Constable		**723,396**	**7,664**	**0**	**10,844**	**741,904**	**92,754**	**834,658**
Senior Executives of the OPCC								
Police and Crime Commissioner		79,500	0	0	0	79,500	0	79,500
Deputy Police and Crime Commissioner		39,855	0	0	0	39,855	6,178	46,033
Chief Executive		105,494	0	0	0	105,494	16,352	121,846
Director of Finance (S151 Officer)	7	0	0	0	0	0	0	0
Sub Total OPCC		**224,849**	**0**	**0**	**0**	**224,849**	**22,529**	**247,379**
Total- Group		**948,246**	**7,664**	**0**	**10,844**	**966,753**	**115,283**	**1,082,037**

Notes

Note (1): Assistant Chief Constable (B) left the post on 5th January 2020.
Note (2): The Chief Constable left for secondment from 2nd December 2019 to 27th March 2020 a recharge of £58,427 was invoiced to the 3rd Party
Note (3): When the Chief Constable left for secondment, the Deputy Chief Constable took the temporary role of Chief Constable, the assistant Chief Constable (A) took the role of temporary Deputy Chief Constable and two Chief Supts where promoted to temporary Assistant Chief Constable (C) and (D).
Note (4): Temporary role of Chief Constable was carried out between 02.12.19 to 17.03.20
Note (5): Temporary role of the Deputy Chief Constable was carried out between 02.12.19 to 17.03.20
Note (6): Temporary role of the Assistant Chief Constable (C) was carried out between 02.12.19 to 22.03.20
Note (7): Director of Finance (S151 Officer) has a shared duty of responsibilities between OPCC and Staffordshire Fire and Rescue and total payments where £58,556

2018/19 Post Holder Information	Notes	£ Salary	£ Bonuses and Allowances	£ Benefits in Kind (BIK)	£ Other Payments	£ Total Remuneration Excluding Pension Contribution	£ Pension Contribution	£ Total Remuneration
Senior Executives of the Chief Constable								
Chief Constable	3	147,923	0	0	3,066	150,990	18,271	169,261
Deputy Chief Constable	3	122,031	0	0	2,635	124,666	0	124,666
Assistant Chief Constable (A)	3,4	43,912	0	0	914	44,826	8,217	53,043
Assistant Chief Constable (B)	3	110,428	0	0	2,635	113,062	23,521	136,583
Assistant Chief Constable (C)	3,5	58,072	0	0	1,522	59,594	12,369	71,963
Director of People and Resources		106,225	0	0	0	106,225	16,465	122,690
Chief Finance Officer (Section 151 Officer)		69,476	0	0	0	69,476	0	69,476
Sub Total Chief Constable		**658,066**	**0**	**0**	**10,772**	**668,838**	**78,844**	**747,682**
Senior Executives of the OPCC								
Police and Crime Commissioner		78,375	0	0	0	78,375	0	78,375
Deputy Police and Crime Commissioner		35,000	0	0	0	35,000	5,425	40,425
Chief Executive		98,065	0	0	0	98,065	15,200	113,265
Director of Finance	1,2	0	0	0	0	0	(34)	(34)
Sub Total OPCC		**211,440**	**0**	**0**	**0**	**211,440**	**20,592**	**232,032**
Total- Group		**869,507**	**0**	**0**	**10,772**	**880,278**	**99,435**	**979,714**

Notes
Note (1): Director of Finance left on 31st March 2018, after this period the duties of the role were discharged by interim appointments with payments to third parties totalling £145,481.
Note (2): Interim Director of Finance left on the 15th March, after this period the duties of the role were discharged to the Director of Finance at Staffordshire Fire.
Note (3): Other Payments represent Housing Allowance.
Note (4): Assistant Chief Constable (A) left the post on 5th August 2018.
Note (5): Assistant Chief Constable C appointed on 3rd September 2018.

6.5.4 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 2019/20 the PCC made a grant of £25,000 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):

2018/19 £'000		2019/20 £'000
13,046	Stoke-on-Trent City Council	14,187
9,027	Stafford Borough Council	10,343
7,366	South Staffordshire District Council	8,346
7,263	Lichfield District Council	8,414
7,026	Newcastle-under-Lyme Borough Council	7,990
7,155	East Staffordshire Moorlands District Council	8,134
6,383	Staffordshire Moorlands District Council	7,170
5,508	Cannock Chase District Council	6,281
4,218	Tamworth Borough Council	4,817
66,992		**75,681**

6.5.5 Pooled Budgets and Joint Operations

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

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

As from 1st October 2013, the joint arrangement with West Mercia Police for the provision of air support ceased to exist. This service is now provided by NPAS the National Police Aviation Service. The charges for the service in 2019/20 amounted to £242k (2018/19 £209k).

Central Motorway Police Group with West Midlands Police

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

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

The two police forces have an agreement in place for funding this unit with contributions to the agreed budget of 70% from PCCWM and 30% from Staffordshire PCC. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The revenue account for the Unit covers all operating costs. The details for 2019/20 are as follows:

2018/19 £'000		2019/20 £'000
	Contributions to the Pooled Budget	
(4,274)	West Midlands PCC	(4,428)
(1,938)	Staffordshire PCC	(2,201)
0	Other Income	0
(6,212)	**Total Income**	**(6,629)**
	Expenditure met from Pooled Budget	
5,737	Pay and Allowances	6,070
407	Transport Costs	401
68	Supplies and Services and Communications and Computing	158
6,212	**Total Expenditure**	**6,629**
0	**Net Surplus/(Deficit) arising during the year**	**0**
0	Staffordshire PCC share (30%) of (Surplus)/Deficit	0
0	**Reimbursement to Staffordshire PCC**	**212**

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:

2018/19 £'000		2019/20 £'000
	Funding provided to West Midlands ROCU	
(13,475)	Contribution from West Midlands Police	(14,026)
(3,789)	Contribution from West Mercia Police	(3,783)
(3,681)	Contribution from Staffordshire Police	(3,675)
(1,840)	Contribution from Warwickshire Police	(1,837)
(2,399)	WMROCU Grant	(2,399)
(270)	National Cyber Security Programme funding	(270)
(165)	Regional Asset Recovery Team Grant	(166)
(532)	ROCU Reserves	(693)
(625)	Additional Home Office funding	0
(1,784)	PTF Funding	(1,134)
(28,560)	**Total Income**	**(27,983)**
	WM ROCU Expenditure	
1,056	Regional Asset Recovery Team (RART)	995
165	RART- ACE team	196
645	Regional Cyber Crime Unit	637
315	Regional Fraud Team	288
927	Regional Prisons Intelligence Unit	922
943	UKPPS (Protected Persons)	8
56	Operational Security (OPSY)	61
46	Regional Government Agency Intelligence Network	50
1,181	Command Team	1,533
5,484	Regional Confidential Unit	5,527
716	TIDU- Technical Intelligence	624
180	Enabling Services	305
4,473	SOCU	4,628
7,850	Regional Surveillance Unit (FSU)	8,266
3,165	Other Regional Operations	3,555
625	Additional Contribution to Reserves	0
259	ROCTA	122
474	Disruption	266
28,560	**Total Expenditure**	**27,983**
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 2019/20 £3,090,738 (2018/19 £2,957,308).

Staffordshire Fire and Rescue Service Collaboration

The PCC became the Police, Fire and Crime Commissioner (PFCC) on the 1st August 2018. The PFCC and the PFCC staff pay and associated costs relating to their work at Staffordshire Fire and Rescue Service are recharged on a direct basis. In addition to this, there is a joint arrangement for joint projects which is run by a joint Collaboration Board programme and Strategic Governance Board. The costs for providing the service in 2019/20 where £788,250.

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 2019/20 a contribution of £0.170m (£0.170m in 2018/19) 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 £0.165m has been made by West Midlands Police towards the cost of the service during 2019/20 (£0.156m in 2018/19). This figure is included in the CIES of the Group. A formal agreement is in place.

6.5.6 Members Allowances

Allowances and expenses for Ethics, Transparency & Audit Panel members, the PCC and the Deputy PCC in 2019/20 amounted to £32,704 (£34,610 in 2018/19).

6.5.7 Proceeds of Crime Act 2002 (POCA)

The Group has separate bank accounts for temporarily holding third party funds seized as suspected proceeds of crime. At 31st March 2020 the balance on this account was £619,869 (£961,688 at 31st March 2019). This sum does not appear on the Balance Sheet of the OPCC Group accounts.

6.5.8 Contingent Liabilities

During the year 2019/20 there was no contingent liabilities.

6.5.9 Capital Financing

The total amount of capital expenditure incurred in the year shown in the table below together with the resources used to finance it. Where capital expenditure is to be financed in future years, by charges to revenue as assets are used by the Group, the expenditure results in the Capital Financing Requirement (CFR), a measure of capital expenditure incurred historically by the Group that has yet to be financed.

2018/19 £'000		2019/20 £'000
60,822	**Opening Capital Financing Requirement Group and PCC**	73,327
3,583	Adjustment	0
	Capital Investment	
4,342	Property Plant and Equipment (PPE)	3,254
2,019	Intangible Assets	409
9,802	Non Operational Assets	6,359
2,567	Revenue Expenditure Funded from Capital Under Statue (REFCUS)	107
	Sources of Finance:	
(683)	Capital Grants Received in Year	(698)
0	Capital Grants from Earmarked Reserves	0
(7,187)	Capital Receipts	(3,252)
	Amounts Set aside from Revenue	
(33)	Direct Revenue Contribution	(262)
0	Direct Revenue Contribution from Earmarked Reserves	0
(1,905)	Minimum Revenue Provision (MRP)	(2,432)
73,327	**Closing Capital Financing Requirement Group and PCC**	**76,812**
	Explanation of movement in year:	
12,505	Increase / (decrease) in underlying need to borrowing (supported by government financial assistance)	3,483
12,505	**Increase/(Decrease) in Capital Financing Requirement Group and PCC**	**3,483**

6.5.10 Events after the Balance Sheet Date

Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue. No adjusting events have taken place to date.

Section 7

PCC Single Entity Core Financial Statements and Notes

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 5 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 Movement in Reserves Statement (MIRS)
- PCC Comprehensive Income and Expenditure Statement (CIES)
- PCC Balance Sheet
- PCC Cash Flow Statement
- PCC Expenditure and Funding Analysis (EFA)
- PCC Expenditure and Funding Analysis (EFA) Notes
- Intra-Group Funding

7.1 PCC Single Entity Movement in Reserves Statements (MIRS)

The purpose of this statement is shown in section 5 of the Group Accounts.

	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	TOTAL USABLE RESERVES	TOTAL UNUSABLE RESERVES	TOTAL PCC RESERVES
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April 2018		2,857	999	0	331	**4,187**	20,781	**24,966**
<u>Movement in reserves during 2018/19</u>								
Total Comprehensive Income and Expenditure	7.2	(4,223)	0	0	0	**(4,223)**	2,972	**(1,251)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations	6.1.1	5,837	0	4,868	0	**10,705**	(10,705)	**0**
Net increase/(decrease) before Transfers to Earmarked Reserves		1,614	0	4,868	0	**6,482**	(7,733)	**(1,251)**
Transfers To/From Earmarked Reserves		93	(93)	0	0	**0**	0	**0**
Increase or (Decrease) in 2018/19		1,707	(93)	4,868	0	**6,482**	(7,733)	**(1,251)**
Balance as at 31 March 2019		4,564	906	4,868	331	**10,669**	13,048	**23,717**
Balance as at 01 April 2019		4,564	906	4,868	331	**10,669**	13,048	**23,717**
<u>Movement in reserves during 2019/20</u>								
Total Comprehensive Income and Expenditure	7.2	7,164	0	0	0	**7,164**	289	**7,453**
Adjustments Between Accounting Basis and Funding Basis Under Regulations	6.1.1	3,860	0	(1,718)	0	**2,142**	(2,142)	**0**
Net increase/(decrease) before Transfers to Earmarked Reserves		11,025	0	(1,718)	0	**9,306**	(1,853)	**7,453**
Transfers To/From Earmarked Reserves		(9,238)	9,238	0	0	**0**	0	**0**
Increase or (Decrease) in 2019/20		1,787	9,238	(1,718)	0	**9,306**	(1,853)	**7,453**
Balance as at 31 March 2020		6,350	10,145	3,150	331	**19,976**	11,194	**31,169**

7.2 PCC Single Entity Comprehensive Income and Expenditure Statement (CIES)

The purpose of this statement is shown in section 5 of the Group Accounts.

2018/19 Net Expenditure £'000		Notes	2019/20 Net Expenditure £'000
(2,222)	Grants and Contributions	6.2.3	(3,659)
0	Reimbursements		(219)
0	Sales, Fees and Charges		0
0	Other Income		0
(2,222)	**Total Income**		**(3,878)**
0	Police Officer Pay and Allowances		0
1,421	Police Staff Pay and Allowances		1,618
27	Other Employee Expenses		292
0	Police Pensions		0
0	Premises		0
23	Transport		23
531	Supplies and Services		1,898
6,291	Agency and Contracted Services		7,044
0	Depreciation, Amortisation and Impairment		0
29	Non Distributed Costs		11
8,322	**Total Expenditure**		**10,886**
6,100	**Cost of Services before Intra-group Funding**		**7,007**
181,957	Intra-group Funding		181,946
188,057	**Cost of Services**		**188,953**
(1,428)	(Surplus) or loss on disposals	6.2.1	(1,027)
2,169	Financing and Investment Income and Expenditure	6.2.2	2,218
(184,575)	Taxation and Non-Specific Grant Income	6.2.4	(197,308)
0	Grant Received From Home Office in respect of the pension fund account		0
4,223	**(Surplus) or deficit on Provision of Services**		**(7,164)**
(3,353)	Surplus or Deficit on revaluation of non current assets	6.3.14	533
381	Re-measurement of the net defined benefit liabilities	8.3.2	(822)
(2,972)	**Other Comprehensive (Income) and Expenditure**		**(289)**
1,251	**Total Comprehensive (Income) and Expenditure**		**(7,453)**

7.3 PCC Single Entity Balance Sheet Statement

The purpose of this statement is shown in section 5 of the Group Accounts.

31 March 2019 Published £000	31 March 2019 Restated £000		Notes	31 March 2020 £000
51,220	51,220	Land and Buildings	6.3.1	47,881
3,179	3,179	Surplus Assets	6.3.1	951
16,603	16,603	Vehicles, Plant and Equipment	6.3.1	16,750
3,396	3,396	Intangible Assets	6.3.2	6,327
12,134	12,134	Assets under construction	6.3.1 & 6.3.3	14,806
192	192	Long-Term Debtors		112
86,723	**86,723**	**Long Term Assets**		**86,827**
0	0	Assets Held for Sale	6.3.5	1,363
500	500	Inventories	6.3.6	456
14,000	14,000	Short Term Investments	6.3.7	8,000
24,123	25,220	Short Term Debtors	6.3.8	24,635
3,937	3,937	Cash and Cash Equivalents	6.3.9	10,110
42,560	**43,657**	**Current Assets**		**44,564**
(5,541)	(5,541)	Short Term Borrowing	6.3.7	(1,182)
(25,729)	(21,999)	Short Term Creditors	6.3.10	(20,530)
0	(4,827)	Intra Group Creditors	6.3.10	(5,773)
(31,270)	**(32,367)**	**Current Liabilities**		**(27,484)**
(71,800)	(71,800)	Long-Term Borrowing	6.3.7	(70,800)
0	0	Other Long Term Liabilities	6.3.12	0
(2,498)	(2,498)	Liability Related to Defined Benefit Pension Scheme	6.3.14	(1,938)
(74,298)	**(74,298)**	**Long Term Liabilities**		**(72,738)**
23,716	**23,716**	**Net Assets**		**31,169**
		Financed by:		
		Usable Reserves		
(4,563)	(4,563)	General Fund	6.3.13	(6,350)
(907)	(907)	Earmarked Reserves	6.3.13	(10,145)
(331)	(331)	Capital Grant Unapplied	6.3.13	(331)
(4,868)	(4,868)	Capital Receipt Reserve	6.3.13	(3,150)
(13,047)	(13,047)	Unusable Reserves	6.3.14	(11,194)
(23,716)	**(23,716)**	**Total Reserve**		**(31,169)**

7.4 PCC Single Entity Cash Flow Statement

The purpose of this statement is shown in section 5 of the Group Accounts.

2018/19 Restated £000		Notes	2019/20 £000
(4,223)	**Net Surplus or (Deficit) on the provision of services**	7.2	**7,164**
29,155	Adjustments to net Surplus or (Deficit) on the provision of services for non-cash movements	6.4.1	8,141
(12,616)	Adjustment for items included in the net Surplus or (Deficit) on the provision of services that are investing and financing activities.	6.4.1	(3,365)
12,315	**Net cash flow Operating Activities**		**11,939**
(18,229)	Net cash flows from Investing Activities	6.4.2	(1,462)
7,139	Net cash flows from Financing Activities	6.4.3	(4,303)
1,227	**Net Increase or (decrease) in cash and cash equivalents**		**6,174**
2,710	Cash and cash equivalents at the beginning of the reporting period		3,936
3,936	Cash and cash equivalent at the end of the reporting period	6.3.9	10,110

7.5 PCC Single Entity Notes

7.5.1 PCC Single Entity Expenditure and Funding Analysis

The purpose of this disclosure note is shown in section 6 of the Group Accounts.

	2019/20		
	Net Expenditure Chargeable to General Fund £'000	Adjustments between funding and IFRS Basis £'000	CIES Net Expenditure £'000
Police Officer Pay and Allowances	0	0	0
Police Staff Pay and Allowances	1,426	(192)	1,618
Other Employee Expenses	292	0	292
Police Pensions	0	0	0
Premises	0	0	0
Transport	23	0	23
Supplies and Services	1,898	0	1,898
Agency and Contracted Services	7,044	0	7,044
Depreciation, Amortisation and Impairment	0	0	0
Non Distributed Costs	0	(11)	11
Total Expenditure	**10,683**	**(203)**	**10,886**
Grants and Contributions	(3,659)	0	(3,659)
Reimbursements	(219)	0	(219)
Sales, Fees and Charges	0	0	0
Other Income	0	0	0
Income	**(3,879)**	**0**	**(3,879)**
Intra-group Funding	175,535	(6,411)	181,946
Net Cost of Services	**182,340**	**(6,614)**	**188,953**
(Surplus) or loss on disposals	0	1,027	(1,027)
Financing and Investment Income and Expenditure	3,631	1,413	2,218
Taxation and Non-Specific Grant Income	(196,995)	313	(197,308)
Grant Received From Home Office in respect of the pension fund account	0	0	0
(Surplus) or deficit on Provision of Services	**(11,025)**	**(3,861)**	**(7,164)**
(Surplus) or Deficit on revaluation of non current assets	0	(533)	533
Re-measurement of the net defined benefit liabilities	0	822	(822)
Transfers To/(From) Earmarked Reserves	9,238	9,238	0
Net (Surplus) / Deficit funded from General Fund	**(1,787)**	**5,665**	**(7,453)**
Opening General Fund	4,564		
Budgeted Transfer to General Reserve	1,345		
Underspend during the year against budget	441		
Closing General Fund	**6,350**		

	(Restated) 2018/19		
	Net Expenditure Chargeable to General Fund	**Adjustments between funding and IFRS Basis**	**CIES Net Expenditure**
	£'000	**£'000**	**£'000**
Police Officer Pay and Allowances	0	0	0
Police Staff Pay and Allowances	1,338	(83)	1,421
Other Employee Expenses	27	0	27
Police Pensions	0	0	0
Premises	0	0	0
Transport	23	0	23
Supplies and Services	531	0	531
Agency and Contracted Services	6,291	0	6,291
Depreciation, Amortisation and Impairment	0	0	0
Non Distributed Costs	0	(29)	29
Total Expenditure	**8,210**	**(112)**	**8,322**
Grants and Contributions	(2,222)	0	(2,222)
Reimbursements	0	0	0
Sales, Fees and Charges	0	0	0
Other Income	0	0	0
Intra-group Funding	174,345	(7,612)	181,957
Net Cost of Services	**180,333**	**(7,724)**	**188,057**
(Surplus) or loss on disposals	0	1,428	(1,428)
Financing and Investment Income and Expenditure	1,524	(645)	2,169
Taxation and Non-Specific Grant Income	(183,471)	1,104	(184,575)
(Surplus) or deficit on Provision of Services	**(1,614)**	**(5,837)**	**4,223**
(Surplus) or Deficit on revaluation of non current assets	0	3,353	(3,353)
Re-measurement of the net defined benefit liabilities	0	(381)	381
Transfers To/(From) Earmarked Reserves	(93)	(93)	0
Net (Surplus) / Deficit funded from General Fund	**(1,707)**	**(2,958)**	**1,251**
Opening General Fund	2,857		
Budgeted Transfer to General Reserve	503		
Underspend during the year against budget	1,204		
Closing General Fund	**4,564**		

7.5.2 PCC Single Entity Notes to EFA

2019/20	Adjustments for Capital Purpose £'000	Net Changes for Pensions IAS19 £'000	Other Differences £'000	Total £'000
Police Staff Pay and Allowances	0	(185)	(7)	**(192)**
Non Distributed Costs	0	(11)	0	**(11)**
Net Cost of Services	**0**	**(196)**	**(7)**	**(203)**
Intra-group Funding	(6,411)	0	0	**(6,411)**
(Surplus) or loss on disposals	1,027	0	0	**1,027**
Financing and Investment Income and Expenditure	1,479	(66)	0	**1,413**
Taxation and Non-Specific Grant Income	698	0	(384)	**313**
Surplus or (deficit) on Provision of Services	**(3,208)**	**(262)**	**(392)**	**(3,861)**
Surplus or Deficit on revaluation of non current assets	(533)	0	0	**(533)**
Re-measurement of the net defined benefit liabilities	0	822	0	**822**
Transfers To/(From) Earmarked Reserves	0	0	9,238	**9,238**
Difference between General Fund and CIES Surplus or Deficit on the Provision Of Services	**(3,741)**	**560**	**8,847**	**5,665**

(Restated) 2018/19	Adjustments for Capital Purpose £'000	Net Changes for Pensions IAS19 £'000	Other Differences £'000	Total £'000
Police Staff Pay and Allowances	0	(83)	0	**(83)**
Non Distributed Costs	0	(29)	0	**(29)**
Net Cost of Services	**0**	**(112)**	**0**	**(112)**
Intra-group Funding	(7,612)	0	0	**(7,612)**
(Surplus) or loss on disposals	1,428	0	0	**1,428**
Financing and Investment Income and Expenditure	(591)	(54)	0	**(645)**
Taxation and Non-Specific Grant Income	660	0	444	**1,104**
Surplus or (deficit) on Provision of Services	**(6,115)**	**(166)**	**444**	**(5,837)**
Surplus or Deficit on revaluation of non current assets	3,353	0	0	**3,353**
Re-measurement of the net defined benefit liabilities	0	(381)	0	**(381)**
Transfers To/(From) Earmarked Reserves	0	0	(93)	**(93)**
Difference between General Fund and CIES Surplus or Deficit on the Provision Of Services	**(2,762)**	**(547)**	**351**	**(2,958)**

7.5.3 PCC Single Entity 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 2019/20 amounts to £181.946m (£181.957m in 2018/19). 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.

2018/19 £'000		2019/20 £'000
261,356	Chief Constable's cost of service	170,546
57,360	Interest on the net defined benefit liability	60,529
(41,459)	Home Office grant towards cost of retirement	(41,274)
85,380	Re-measurement of the net defined benefit liability	(270,633)
362,637	**Resources consumed**	**(80,832)**
	Items removed through the MIRS	
(180,406)	Movement in pension liability	263,419
(274)	Movement in accumulated absences liability	(641)
181,957	**Total resources consumed for the year by the Chief Constable and funded by the PCC**	**181,946**

Section 8

Pension Fund Account

8.1 Police Pension Scheme for England and Wales Pension Fund Account

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

	Fund Account 2018/19 £'000			Fund Account 2019/20 £'000
		Contributions Receivable:		
		From employer		
(12,592)		Contributions at 31% 2019/20 (21.3% 18/19)	(18,360)	
(1,342)		Early retirements	(733)	
(15)		Other- Pre 1974 recharge receipts	(12)	
(8,006)		Officers contributions	(7,982)	
	(21,955)			(27,087)
	(582)	**Transfers in from Other Schemes**		(288)
		Benefits Payable:		
52,330		Pensions	54,487	
13,263		Commutations and lump sum retirement benefits	14,051	
0		Ill-health commutations and lump sum retirement benefits	0	
0		Lump sum death benefits	75	
	65,593			68,613
		Payment to and on Account of Leavers		
6		Refund of contributions	35	
111		Individual transfers out to other schemes	0	
	117			35
	43,173	**Sub-total for the year before transfer from the Group of amount equal to the deficit**		41,274
	(43,173)	**Net Amount payable/ receivable for the year**		(41,274)
	1,714	Additional of 2.9% to the cash flow due to a reduction in the employer contribution rate from 24.2% to 21.3% that is reflected in a reduction in the Home Office pension to up funding		0
	(41,459)	**Actual Home Office top up funding**		**(41,274)**

8.1.1 Notes to the Police Pension Fund Account

Note 1

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

Note 2

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

Note 3

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

Note 4

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

Note 5

Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 31% in 31st March 2020 but in 31st March 2019 it was 21.3% of police officer pensionable pay from 1st April 2015. However, the difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer, reducing Pensions Top Up as shown at the foot of the Pension Fund Account. In both years the force therefore budgeted as though there were an employer contribution rate of 24.2%;

Accounting Policies

(a) Transfer values

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

(b) Debtors and creditors

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

(c) IAS 19

Relevant information from the pension accounts has been supplied to the Government Actuary Department (GAD), so the necessary information is available to help us meet IAS19.

8.2 Group Pension Scheme

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. With effect from 1st April 2014, the LGPS became a career average (CARE) scheme rather than a final salary scheme.
- The Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) and the Police Pension Scheme 2015 (PPS) are administered by Kier Business Services Limited. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the 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 triennial valuation of Staffordshire Local Government Pension Scheme was undertaken in 2016 by the actuary Hymans Robertson LLP, to establish the contribution rates applicable for the period 1 April 2018 to 31 March 2020. For the Staffordshire Police and Crime Commissioner the results of the modelling exercise resulted in a proposal to keep employer contribution rates payable into the scheme unchanged, however this would require a deficit repayment to cover the three year period. The Group made a payment in advance of £3.584m to cover the triennial period, receiving a favourable discount rate for paying the deficit upfront rather than on an annual basis. The annual split for 18/19 and 2019/20 is £1.646m and £1.98m respectively. This result is a difference between Remeasurement of the net defined liability shown in 8.2.1 and 5.2.

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:

8.2.1 Comprehensive Income and Expenditure Statement

		LGPS		PPS
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Cost of Services:				
Current service costs (Inc. employee contribution)	(15,090)	(17,956)	(40,950)	(53,680)
Past service costs (Inc. curtailments)	(1,834)	384	(97,710)	5,140
Pension transfer in	0	0	(590)	(290)
Effect of business combinations and disposals	0	(1,069)	0	0
Financing and Investment income and expenditure				
Interest cost on defined benefit obligation	(9,240)	(9,703)	(54,030)	(56,690)
Interest income on plan assets	5,856	5,798	0	0
Total post-employment benefit charges to the surplus or deficit on provision of services	**(20,308)**	**(22,546)**	**(193,280)**	**(105,520)**
Re-measurement of the net defined benefit liability				

Return on plan assets (excluding the amount included in the net interest expense)	11,647	(17,830)	0	0
Re-measurement of the net defined benefit liability- demographic assumptions	0	16,518	0	68,780
Re-measurement of the net defined benefit liability- financial assumptions	(35,430)	50,010	(65,120)	96,080
Actuarial gains and losses on liabilities experience	(18)	8,889	3,160	47,070
Total Post Employment Benefit Charged to the CIES	**(23,801)**	**57,587**	**(61,960)**	**211,930**

8.2.2 Movement in Reserves Statement

		LGPS		PPS
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
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	20,308	22,546	193,280	105,520
Employers Contributions Payable to Scheme	(9,915)	(7,096)	(68,960)	(72,220)
Retirement Benefits Payable to Pensioners	0	0	0	0
Total	**10,393**	**15,450**	**124,320**	**33,300**

8.2.3 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:

	2019/20	2018/19	2017/18	2016/17
	£'000	£'000	£'000	£'000
Present Value of the Defined Benefit Obligations				
PPS	(1,795,042)	(2,014,947)	(1,870,126)	(2,013,287)
LGPS	(345,770)	(394,329)	(335,406)	(321,487)
Fair Value of LGPS Assets	231,758	238,180	213,451	203,258
Deficit in the Scheme				
PPS	(1,795,042)	(2,014,947)	(1,870,126)	(2,013,287)
LGPS	(114,012)	(156,149)	(121,955)	(118,229)
Total	**(1,909,054)**	**(2,171,096)**	**(1,992,081)**	**(2,131,516)**

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

		LGPS		PPS
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
Opening Balance at 1 April	(335,406)	(394,329)	(1,870,126)	(2,014,947)
Current Service Cost	(15,090)	(17,956)	(32,950)	(45,690)
Interest Cost	(9,240)	(9,703)	(54,030)	(56,690)
Contributions by Scheme Participants	(2,558)	(2,632)	(8,000)	(7,990)
Re-measurement Gain/(Loss)	(35,448)	75,417	(61,960)	211,930
Pension Transfers In	0	0	(590)	(290)
Benefits Paid	5,247	6,143	68,960	72,220
Past Service Costs (including curtailments)	(1,834)	384	(97,710)	5,140
Effect of business combinations and disposals	0	(3,094)		
Top-up-Grant	0	0	41,459	41,274
Closing Balance at 31 March	**(394,329)**	**(345,770)**	**(2,014,947)**	**(1,795,042)**

8.2.5 Reconciliation of the Movement in the fair value of the scheme assets

	2018/19 £'000	LGPS 2019/20 £'000
Opening Balance at 1 April	213,451	238,180
Interest Income	5,856	5,798
Re-measurement gain/(loss) The Return on the plan assets, excluding the amount included in the net interest expense	11,647	(17,830)
Employer Contributions	9,915	7,096
Contributions by Scheme Participants	2,558	2,632
Benefits Paid	(5,247)	(6,143)
Effect of business combinations and disposals	0	2,025
Closing Balance at 31 March	**238,180**	**231,758**

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 2019/20 and the potential effect of changes in these assumptions are set out below. The total net liability of £1.938m 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 period.

8.2.6 The Local Government Pension Scheme Assets Comprise:

	31 March 2019		31 March 2020	
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	10.63270	4%	8.58780	4%
Manufacturing	9.11070	4%	9.27630	4%
Energy and Utilities	3.81640	2%	3.09560	1%
Financial Institutions	8.81020	4%	8.18880	4%
Health and Care	6.83550	3%	7.24430	3%
IT	6.79000	3%	5.64380	2%
Other	0.22520	0%	0.19990	0%
Debt Securities:				
Corporate Bonds (investment grade)	17.68180	7%	18.63620	8%
Corporate Bonds (non-investment grade)	0.00000	0%	0.00000	0%
UK Government	0.00000	0%	0.00000	0%
Other	0.00000	0%	0.00000	0%
Private Equity:				
All	8.52650	4%	9.80630	4%
Real Estate:				
UK Property	20.24750	9%	22.82610	10%
Overseas Property	0.00000	0%	0.00000	0%
Investment Funds and Unit Trusts:				

Equities	107.21180	43%	98.77610	43%
Bonds	18.02210	8%	19.46490	8%
Hedge Funds	4.16080	2%	4.12200	2%
Commodities	0.00000	0%	0.00000	0%
Infrastructure	0.00000	0%	0.00000	0%
Other	9.58870	4%	11.97590	5%
Derivatives:				
Inflation	0.00000	0%	0.00000	0%
Interest Rate	0.00000	0%	0.00000	0%
Foreign Exchange	0.00000	0%	0.00000	0%
Other	0.00000	0%	0.00000	0%
Cash and Cash Equivalents:				
All	6.52010	3%	3.91500	2%
Totals:	**238.18000**	**100%**	**231.75800**	**100%**

Approximately 1.7% of the value of these Assets relates to the PCC Single Entity and 98.3% 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

8.2.7 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
	2018/19	2019/20	2018/19	2019/20
Mortality Assumptions				
<u>Longevity at 65 for Current Pensioners</u>				
Men	22.1yrs	21.2yrs	22.7yrs	21.9yrs
Women	24.4yrs	23.6yrs	24.3yrs	23.6yrs
<u>Longevity at 65 for Future Pensioners</u>				
Men	24.1yrs	22.1yrs	24.6yrs	23.6yrs
Women	26.4yrs	25.0yrs	26.2yrs	25.2yrs
Rate of Inflation	2.35%pa	2.00%pa	2.35%pa	2.00%pa
Rate of Increases in Salaries	2.9%pa	2.2%pa	4.35%pa	4.00%pa
Rate of short term Increase in Salaries (to 2020)			1.00%pa	1.00%pa
Rate of Increases in Pensions	2.5%pa	1.8%pa	2.35%pa	2.00%pa
Rate for Discounting Scheme Liabilities	2.4%pa	2.3%pa	2.45%pa	2.25%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

8.2.8 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.

	Approximate % Increase in Employer Liability	Approximate monetary amount (000's)
LGPS Change in assumption 31 March 20		
0.5% decrease in Real Discount Rate	(12.0%)	(40,894)
0.5% increase in the salary Increase rate	2.0%	6,222
0.5% increase in the pension Increase Rate	10.0%	34,210
PPS Change in assumption 31 March 20		
0.5% decrease in Real Discount Rate	(9.5%)	(204,000)
1 year increase in member life expectancy	1.0%	63,000
0.5% increase in the salary Increase rate	1.0%	21,000
0.5% increase in the pension Increase Rate	7.5%	164,000

8.3 Pensions for the PCC Single Entity

The tables below set out the estimated Pensions Charges, Assets and Liabilities relating to the 23 Staff (20 Staff in 2018/19) directly under the control of the PCC as at 31st March 2020 (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 1.7% in 2019/20 (1.6% in 2018/19) of the amounts shown below.

8.3.1 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:

8.3.2 PCC Single Entity Comprehensive Income and Expenditure Statement

	2018/19 £'000	LGPS 2019/20 £'000
Cost of Services:		
Current service costs (Inc. employee contribution)	(241)	(305)
Past service costs (Inc. curtailments)	(29)	7
Pension transfer in	0	0
Effect of business combinations and disposals	0	(18)
Financing and Investment income and expenditure		
Interest cost on defined benefit obligation	(148)	(165)
Interest income on plan assets	94	99
Total post-employment benefit charges to the surplus or deficit on provision of services	**(324)**	**(382)**
Re-measurement of the net defined benefit liability		
Return on plan assets (excluding the amount included in the net interest expense)	186	(303)
Re-measurement of the net defined benefit liability-demographic assumptions	0	281

Re-measurement of the net defined benefit liability- financial assumptions	(567)	850
Actuarial gains and losses on liabilities experience	0	151
Obligation relating to: staff previously under control of the Chief Constable and new staff in the year	0	(157)
Total Post Employment Benefit Charged to the CIES	**(381)**	**822**

8.3.3 PCC Single Entity Movement in Reserve Statement

	2018/19 £'000	LGPS 2019/20 £'000
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	324	382
Employers Contributions Payable to Scheme	(158)	(120)
Retirement Benefits Payable to Pensioners	0	0
Total	**166**	**262**

8.3.4 PCC Single Entity 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:

	2018/19 £'000	2019/20 £'000
Present Value of the Defined Benefit Obligations		
LGPS	(6,309)	(5,878)
Fair Value of LGPS Assets	3,811	3,940
Total	**(2,498)**	**(1,938)**

8.3.5 PCC Single Entity Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations):

	2018/19 £'000	LGPS 2019/20 £'000
Opening Balance at 1 April	(5,366)	(6,309)
Current Service Cost	(241)	(305)
Interest Cost	(148)	(165)
Contributions by Scheme Participants	(41)	(45)
Re-measurement Gain/(Loss)	(567)	1,282
Pension Transfers In	0	0
Benefits Paid	84	104
Past Service Costs (including curtailments)	(29)	7
Effect of business combinations and disposals	0	(53)
Obligation relating to: staff previously under control of the Chief Constable and new staff in the year	0	(395)
Closing Balance at 31 March	**(6,308)**	**(5,878)**

8.3.6 PCC Single Entity Reconciliation of the Movement in the Fair Value of the Scheme Assets

	2018/19 £'000	LGPS 2019/20 £'000
Opening Balance at 1 April	3,415	3,811
Interest Income	94	99

Re-measurement gain/(loss)		
The Return on the plan assets, excluding the amount included in the net interest expense	186	(303)
Employer Contributions	158	120
Contributions by Scheme Participants	41	45
Benefits Paid	(84)	(104)
Effect of business combinations and disposals	0	34
Obligation relating to: staff previously under control of the Chief Constable and new staff in the year	0	238
Closing Balance at 31 March	**3,810**	**3,940**

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 2019/20 and the potential effect of changes in these assumptions are set out above. 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.

Section 9

Glossary of Terms

9.1 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
VFM	-	Value for Money
PCSO	-	Police Community Support Officer
CMPG	-	Central Motorway Patrol Group
HMIC	-	Her Majesty's Inspectorate of Constabulary
CFO	-	Chief Finance Officer
CIPFA	-	Chartered Institute of Public Finance & Accountancy
EFA	-	Expenditure and Funding Analysis
ETAP	-	Ethics, Transparency and Audit Panel

9.2 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 (IFRS)
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.

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.