

Office of the Police and  
Crime Commissioner  
**STAFFORDSHIRE**

**2016/17**  
**GROUP STATEMENT OF**  
**ACCOUNTS**

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

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# Section 1

## Narrative Report

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



Over the last 12 months, Staffordshire Police and the Office of the Police and Crime Commissioner have continued to develop the policing and community safety services provided to the people of Staffordshire and Stoke-on-Trent.

For 2016/17, I made the decision not to increase the council tax precept, as was also the case for the previous 3 financial years, because through using funding wisely and making the way that we deliver more efficient, we've been able to maintain and develop key frontline services. Credit is due to the police officers, police staff and my own OPCC team for their continued efforts to improve what they do and make sure the people who live and work in the area receive those effective and efficient services.

The world is changing significantly and there are major challenges to policing and community safety in the future, in areas such as online crime, serious and organised crime, supporting vulnerable people and dealing with the threat of terrorism. We will need to bolster the resources for policing in Staffordshire and I will work locally in delivering efficiencies and nationally in influencing government, to make this a priority.

With the challenges faced, there have also had to be choices made about how Staffordshire Police delivers its services. It is important that they work with others in the public, community and business sectors and also develop new approaches to existing and new problems. Improvements have been made in areas such as youth engagement, child sexual exploitation, services to victims and in making sure that police officers and PCSOs have the right tools to do their job. However, there is more to do as set out in my Safer, Fairer, and United Communities Strategy for 2017 – 2020.

2016/17 saw a major step forward in the implementation of a 10-year information technology partnership with Boeing Defence UK and whilst the first year has been mainly about bedding in, the future is about investing substantially in technology and delivering new systems for the police service and also across partner organisations. I want to see a 'Connected Staffordshire' with agencies more able to share and use information to make effective decisions.

I remain confident that the challenges faced within policing and more widely in community safety can be met and that with a combination of effective leadership, sound management and good governance across all services, we will continue to provide the services the people of Staffordshire and Stoke-on-Trent require and expect.

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

### 1.2 Chief Finance Officer's Foreword

These accounts are prepared on a going concern basis, assuming that the Office of the Police and Crime Commissioner (OPCC) will continue in operation for the foreseeable future in accordance with the Accounts and Audit Regulations 2016 and the Code of Practice on Local Authority Accounting 2016/17.

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

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

This document contains two sets of accounts:

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

Each set of statements comprise of the following:

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

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

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

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

**Bipon Bhakri**

**Director of Finance and Performance, Staffordshire OPCC**

### 1.3 The Staffordshire context

#### 1.3.1 Our Staffordshire

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

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

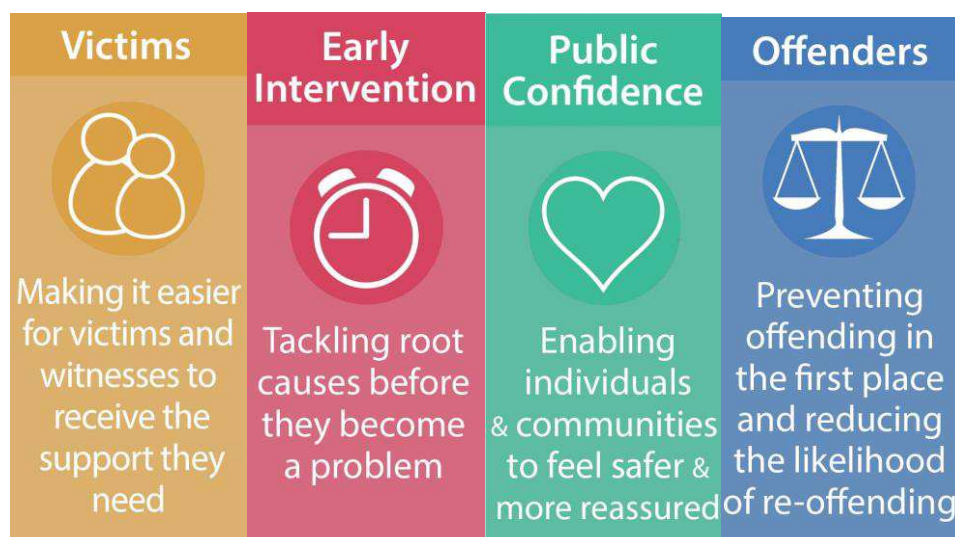


#### 1.3.2 Our People

At the end of the financial year, Staffordshire Police employed 3,061 full time equivalent staff, consisting of 1,635 police officers, 230 police community support officers (PCSO's) and 1,196 police staff. The force is also supported by 154 volunteer Special Constables, who give up their own time to provide an enhanced service to Staffordshire communities.<sup>2</sup>

#### 1.3.3 Our Priorities

The PCC in his Police and Crime Plan has set out four clear priorities, focusing on what matters to local people



<sup>1</sup> Source: Staffordshire Observatory and Stoke-on-Trent City Council.

<sup>2</sup> Source: Staffordshire Police human resources stock take report 31.03.17.

## Section 1 – Narrative Report

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### 1.3.4 Our Service Delivery

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

### 1.3.5 Our Legislative Arrangements

The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as separate legal entities. The legal transfer of operational policing to the Chief Constable, who also became the employer of police staff members, was completed on 1 April 2014.

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

The future vision for Staffordshire Police and the Office of the Police and Crime Commissioner is explained in the “Our Vision for transforming policing in Staffordshire by 2020” document.<sup>3</sup>

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

Each has specific roles and responsibilities under legislation.

#### **The Police and Crime Commissioner:**

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

#### **The Chief Constable:**

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

## 1.4 Financial Performance and Review

### 1.4.1 Overall Performance 2016/17

In 2016/17 Staffordshire Police and the OPCC Staffordshire can reflect that our focus on reducing inputs, delivering effective policing and increasing improved outcomes has been

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<sup>3</sup> <https://www.staffordshire.police.uk/article/2140/Our-Vision>

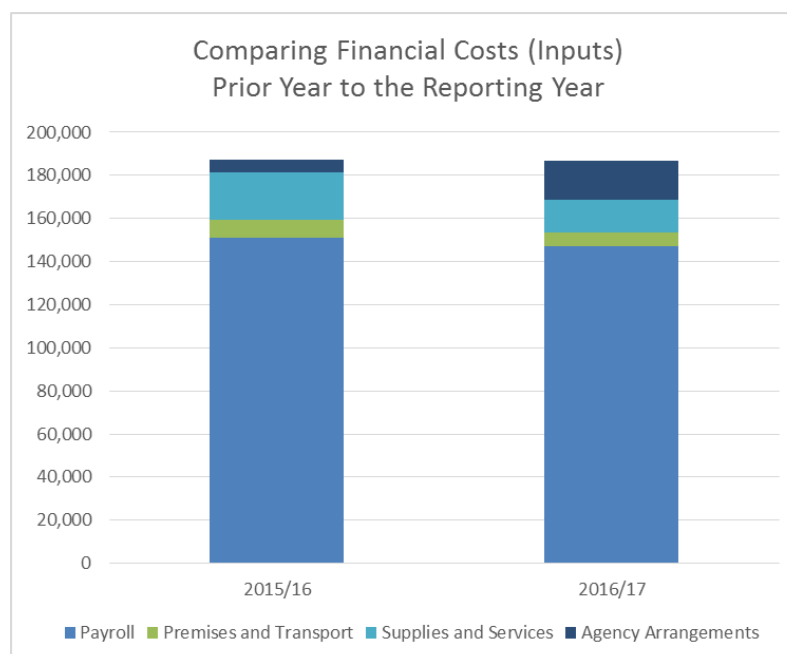


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successful. Put simply we have dealt with more crime, at no increased cost, with higher satisfaction rates.

### 1.4.2 Financial Performance 2016/17

The gross cost of policing<sup>4</sup> in Staffordshire for 2016/17 was £187.0m, a slight reduction against a gross cost in 2015/16 of £187.2m. This is despite an increase in headcount and after absorbing the cost of pay awards and general price inflation.



By controlling gross costs the underlying deficit in the net cost of services has reduced from £5.6m in 2015-16 to £1.3m in 2016/17 (section 5.2.2). This is because the increase in council tax base, set against the context of standstill grant funding, was not all used in additional spend, marking a turning point in the ability of the services to manage within their means.

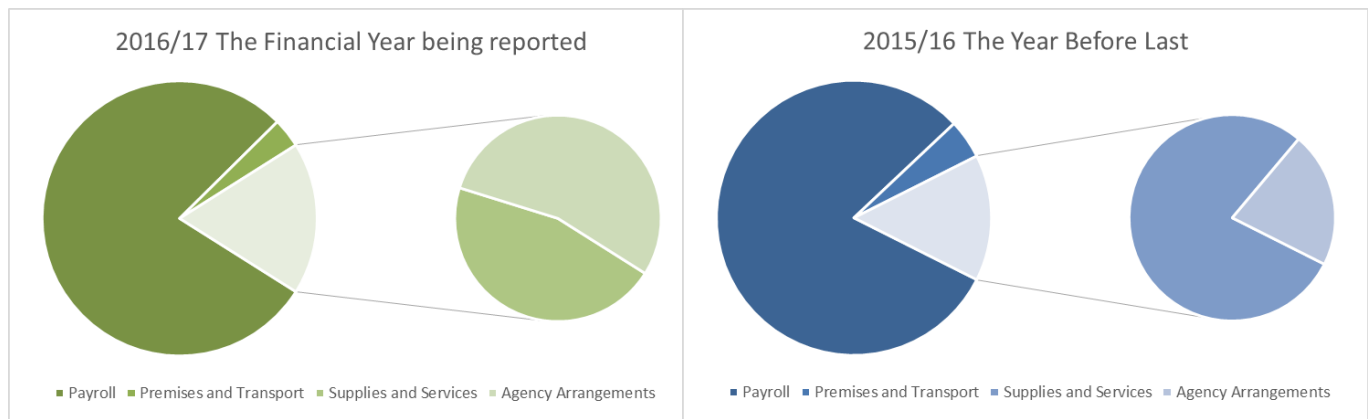
Gross costs have been well controlled despite the fact that during the year the costs have shifted in their makeup. This is due to services being reorganised through shared services and outsourcing arrangements. This has meant a:

- £1.5m reduction in transport costs due to the move from a contracted service with Staffordshire County Council to a joint transport hub with Staffordshire Fire and Rescue Service.
- £4.1m reduction in staff costs as a result of partnership arrangements in the delivery of our IT and Estates functions and Officer turnover and overtime management.
- a net increased cost for Supplies, Services and Contracted Services of £2.4m during the year as a result of partnership arrangements
- a £12m increase in agency arrangements due to the shift to the use of the private sector to provide key back office functions

<sup>4</sup> This gross cost can be seen in the context of the reported CIES at section 5.2.



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### 1.4.3 Financial Outcomes 2016/17

#### Balance Sheet (Section 3.2)

The pension fund adjustments continue to make it difficult to evidence the healthy reserve levels and underlying net current assets position. The net movement in liabilities between years on the whole balance sheet is £330m of which £325m is due to movements in the pension's reserve.

31 March 2016 £000	Notes	31 March 2017 £000
71,038 Long Term Assets		70,925
34,240 Current Assets		47,060
(25,865) Current Liabilities		(40,864)
(1,844,454) Long Term Liabilities		(2,173,529)
<b>(1,765,041) Net Liabilities</b>		<b>(2,096,408)</b>
(17,065) Usable Reserves		(13,620)
1,782,106 Unusable Reserves	6.2.13	2,110,028
<b>1,765,041 Total Reserves</b>		<b>2,096,408</b>

The working capital (current assets and liabilities) has reduced by just £1.991m despite significant changes in individual classes of assets and liabilities.

#### Cashflow (Section 3.3)

The yearend position of minimal cash holdings and £17m external borrowing (Section 6.2.14) was due to a shortfall of funding for the Police Pensions payroll which derived from under-reporting in a previous period. This has been addressed during 2016/17 and the Home Office will repay £44m in July 2017 bringing the cash forecast for the year back to a position whereby borrowing is solely to support the capital programme.

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### Pension Liability (Sections 7 and 10)

Members of staff and Officers of the police are members of different pension schemes which operate under different rules in terms of contributions and funding.

Police Officers are members of the Police Pension Scheme and Section 7 details the cashflows during the year relating to that scheme. This scheme is unfunded (i.e. it has no funds invested in order to meet its liabilities). Contributions to the scheme at the rate of 21.4% of pay for current officers are funded from the current revenue budget which includes council tax funding. The cost of pension payments to pensioners is largely met from the Home Office and is therefore not funded by Council Tax. Section 10 includes more information about the assets and liabilities of this scheme. The assessed liability overall of Staffordshire in the Police Pension Scheme as at 31<sup>st</sup> March 2017 was £2,013,287,000.

Staff working for Staffordshire Police and the OPCC and PCSOs are eligible to be members of the Local Government Pension Scheme (LGPS) which is administered externally and is a funded scheme: this means that it has assets which it purchases with contributions from current employees and it uses those assets to fund the liabilities today and in the future of existing and future pensioners. The current contribution rate for employees is 15.5% of pay, and this is met from the current revenue budget which includes council tax funds. The cost of pension payments to pensioners is largely met from the LGPS and is therefore not funded by Council Tax. In addition a recent actuarial assessment has determined that past contributions were insufficient and so the current revenue budget will have to pay £6.6m over the next three years to top up contributions. Section 10 includes more information about the assets and liabilities of this scheme. The assessed liability overall of Staffordshire in the LGPS as at 31<sup>st</sup> March 2017 was £118,229m.

31 March 2016 £000	31 March 2017 £000
(1,719,695) Police Pensions Scheme	(2,013,287)
(85,974) Local Government Pension Scheme	(118,229)
<b><u>(1,805,669)</u></b> Pension Reserve	<b><u>(2,131,516)</u></b>

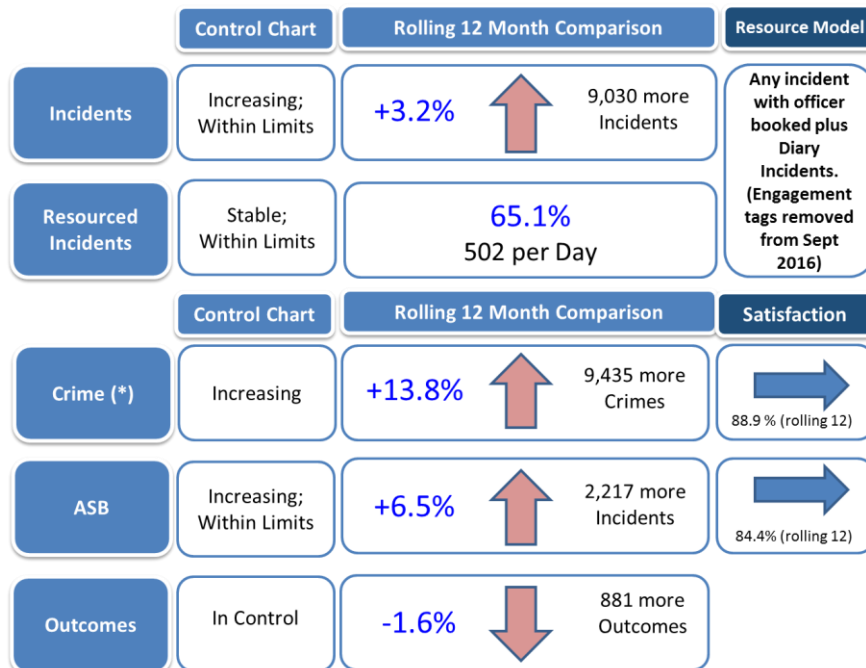
The Pension Reserve has increased at 31 March 2017 primarily due to the actuarial losses arising from changes in the financial assumptions. The discount rate is based on corporate bonds yields, these have decreased during the year whereas in 2015/16 the rate was much higher.

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

### 1.5 Non-Financial Performance 2016/17

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

#### Overall Performance Summary – Year End to 31<sup>st</sup> March 2017



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

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

#### 1.5.1 Volumes

There was a 13.8% increase in reported crime between 2015/16 and 2016/17. This was an increase of 9,435 offences on a baseline of 68,143 offences during 2015/16.

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

In addition the force deals with a wide range of incidents that are not crime-related – these account for 77.9% of all incidents recorded by Staffordshire Police.

#### 1.5.2 Satisfaction

We are proud to note that our comparative performance in terms of victim satisfaction in relation to other Policing areas improved as follows in the year:

	Dec 2016	March 2017	
Whole Experience Satisfaction	6 <sup>th</sup>	3 <sup>rd</sup>	↑ 3 places nationally
Kept Informed Satisfaction	16 <sup>th</sup>	7 <sup>th</sup>	↑ 9 places nationally

The end of year position was that 89.9% of victims who were surveyed\* were satisfied overall with the service they received: up 2% on the previous year.

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### 1.5.3 Outcomes

With a 13.8% increase in reported crime it would have been an incredible achievement to have also increased the outcome rate. The rate at which a positive outcome was achieved for crimes ended the year at 21% which is 1.6% lower than last year.

However in absolute terms this represents an increase of 881 cases with an outcome which is testament to the hard work of Police Officers, investigative staff and PCSOs who delivered on attending and resolving that much higher workload than the previous year.

### 1.5.4 Staffordshire Victim Gateway

The Staffordshire Victim Gateway (SVG) is a specific local initiative for victims set up by the PCC helped 51,000 people, including some that had not reported to the Police Force.

Quarterly Performance Review reports are prepared for SVG and figures for the quarter ended September 2016 indicated that 97.07% of Enhanced Victims (i.e vulnerable, intimidated or persistently targeted victims) and 91.23% of Standard Victims were contacted within 24 hours by SVG. Analysis of the causes of failure to make contact within 24 hours included:

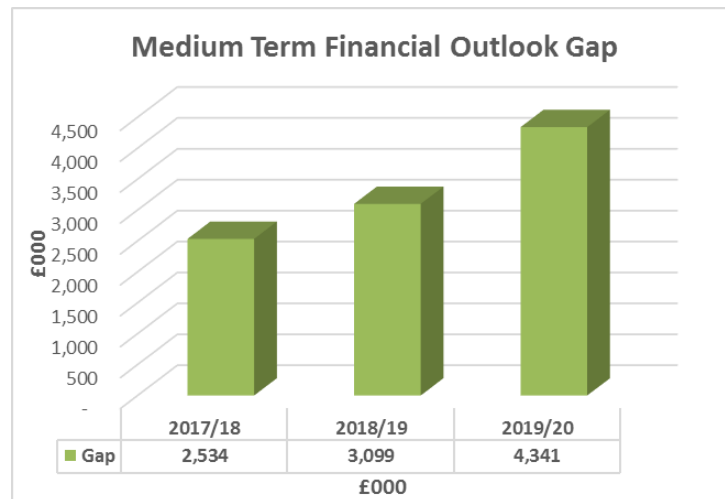
- Missing contact information.
- It being deemed unsafe to make contact in order to protect victims, e.g. in domestic violence cases.
- Inappropriate to make contact.

The performance review report concluded that 87% of victims were happy or very happy with the services offered.

### 1.6 Future Strategy

#### 1.6.1 Savings delivery

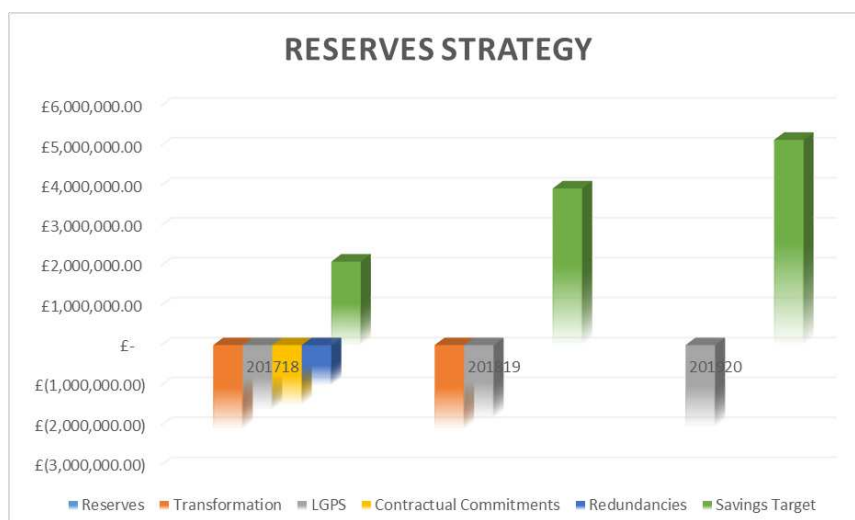
Staffordshire Police, like all other Police forces across the country, has seen a substantial reduction in government funding as a consequence of the Government's policies to tackle the national fiscal deficit. This creates a situation whereby further savings are required to balance the budget in the period to 2019/20.



#### 1.6.2 Future Reserves Strategy

Usable reserves are held either for general purposes, such as to ensure there are appropriate funds available in the event of a significant emergency, or they are earmarked for specific purposes or to manage known risks. The reserves strategy is vital to managing the delivery of the savings targets without impacting performance on the frontline. At 31 March 2017, the PCC held usable reserves of £13.289m (Section 6.2.12), this is the lowest position for some time and we will only be able to achieve the PCC's minimum target balance for reserves in 2019/20 of £12.6m by making savings of £11.2M.

The most significant call on reserves arises from the Staffordshire Local Government Pension Funds proposed contribution rates for the years 2017/18 – 2019/20. Following the 2016 valuation all 12 employers in the scheme are faced with additional advanced contribution rates for this period, which for this service totals £5.5m over 3 years.



### 1.6.3 Capital Infrastructure Investment

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

The OPCC's decisions on capital are taken in the light of the impact on the revenue budget and corresponding borrowing limits. The impact of the capital programme on cash flow is therefore minimised by the use of borrowing, however, the PCC does also make use of its available net current asset position by avoiding external borrowing where appropriate. Historic use of such "internal borrowing" is primarily reflected in the difference between usable reserves and net current assets. The planned Capital Programme spend of £31.2m in 2017-18 is partly financed by Government Grants and contributions of £0.7m and the generation of capital receipts of £16.2m. Any future reductions in the availability of this funding will therefore restrict the Group ability to undertake new large scale projects.

	2016/17 Original Budget £000	2016/17 Revised budget £000	2016/17 OUTTURN Actual £000
<b>Programme Spend:</b>			
Estates Projects	7,869	3,520	2,665
ICT & Transformation Projects	15,765	1,084	1,146
Equipment	242	140	72
Vehicles	2,419	2,233	2,233
	<b>26,295</b>	<b>6,977</b>	<b>6,115</b>
<b>Funded by:</b>			
Central Government Grants	804	1,135	804
Other Grants	0	95	28
Revenue Contributions	170	15	0
Capital Receipts	6,850	100	222
External Borrowing	18,471	5,632	5,061
	<b>26,295</b>	<b>6,977</b>	<b>6,115</b>

# Sect ion 2

## Introductory Statements

### 2.1 Accounting Policies

#### 2.1.1 Basis of Accounting

The Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2015 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) which is based on International Financial Reporting Standards and other supporting accounting standards.

#### 2.1.2 Accounting Developments and Changes

##### **Developments and other changes during 2016/17**

Staffordshire Police has not chosen to change any of its Accounting Policies since the last financial year.

##### **Prior Year Reclassifications**

Prior period restatement on Service Expenditure and Income (see section 5).

##### **Accounting Standards Issued but not adopted**

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

- **IAS 1 – Presentation of Financial Statements.** This standard provides guidance on the form of the financial statements. The disclosure initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and there will be a new Expenditure and Funding Analysis.
- **Transport Infrastructure** – The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from the 1 April 2016. From this date transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. In transferring the assets into the new categories, there is likely to be a resulting revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis.

There are other minor changes due to annual improvements to IFRS cycles, IFRS11 Joint Arrangements, IAS 16 Property, Plant, Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits. These are not expected to have a material effect on Staffordshire Police Statement of Accounts. The implementation dates for these is 1 April 2016 so there is no impact on the 2016/17 Statement of Accounts.



### 2.1.3 Critical Accounting Policies

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

#### **Accruals of Expenditure and Income**

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

#### **Government Grants and Contributions**

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

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

#### **Charges to CIES for Non-Current Assets**

The cost of service is debited with the following amounts to record the real cost of holding non-current assets during the year:

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

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

## 2.2 Supplementary Comments

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

### Key Changes affecting 2016/17 Statements

For 2016/17 the Government has not implemented any legislative or funding changes that have made a material impact on OPCC Statement of Accounts.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets would fall, however, the assets are revalued on a rolling three year basis so the lives of the assets are regularly adjusted to allow for actual maintenance schedules. This, along with the increase in disposals, should negate the need to reduce lives further in the coming year.
Insurance Reserve	The Insurance Fund was subject to a full revaluation in 2016/17. This review confirmed that there were sufficient funds for future liabilities. The only uncertainty is the potential increase in claims as a result of the current economic climate, e.g. increase in fraud claims.	The fund evaluation in 2016/17 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 10.

## Section 3

# Group Financial Statements

### 3.1 Comprehensive Income and Expenditure Statement (CIES)

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

2015/16 Net Expenditure £000	Notes	2016/17 Net Expenditure £000
(4,602) Grants & Contributions	6.1.2	(5,003)
(1,909) Reimbursements		(4,337)
(1,700) Sales, Fees & Charges		(2,009)
(26) Other Income		(147)
<b>(8,237) Total Income</b>		<b>(11,496)</b>
72,159 Police Officer Pay and Allowances		56,730
54,782 Police Staff Pay and Allowances		53,239
3,074 Other Employee Expenses		5,016
4,961 Police Pensions		3,691
4,778 Premises		3,804
3,834 Transport		3,083
21,873 Supplies and Services		15,380
5,910 Agency and Contracted Services		18,146
8,130 Depreciation, Amortisation and Impairment		7,691
1,097 Non Distributed Costs		923
<b>180,598 Total Expenditure</b>		<b>167,703</b>
<b>172,361 Cost of Services</b>		<b>156,207</b>
155 (Surplus) or loss on disposals	6.2.1	(52)
74,007 Financing and Investment Income and Expenditure	6.1.1	71,664
(179,779) Taxation and Non-Specific Grant Income	6.1.3	(179,560)
(33,894) Grant Received From Home Office in respect of the pension fund account	7.1	(39,938)
<b>32,850 (Surplus) or deficit on Provision of Services</b>		<b>8,321</b>
(1,954) (Surplus) or Deficit on revaluation of non current assets	6.2.13	(2,711)
(272,290) Re-measurement of the net defined benefit liabilities	10.1.2	325,758
<b>(274,244) Other Comprehensive (Income) and Expenditure</b>		<b>323,047</b>
<b>(241,394) Total Comprehensive (Income) and Expenditure</b>		<b>331,368</b>

## 3.2 Balance Sheet

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

- Usable reserves - i.e. those reserves that may be used to help provide services or reduce taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure, repay debt or as directed by a capitalisation directive).
- Unusable reserves – i.e. those reserves that are not able to be used to help provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016 £000	Notes	31 March 2017 £000
51,155 Land and Buildings	6.2.1	51,277
16,663 Vehicles, Plant and Equipment	6.2.1	14,725
2,776 Intangible Assets	6.2.2	2,462
0 Assets under construction	6.2.1	2,097
444 Long-Term Debtors	6.2.3	364
<b>71,038 Long Term Assets</b>		<b>70,925</b>
0 Inventories	6.2.6	415
7,500 Assets Held for Sale	6.2.4	8,500
2,100 Short Term Investments	6.2.14	0
3,162 Cash and Cash Equivalents	6.2.8	2,286
21,478 Short Term Debtors	6.2.7	35,859
<b>34,240 Current Assets</b>		<b>47,060</b>
0 Bank Overdraft	6.2.8	0
(2,000) Short Term Borrowing	6.2.14	(19,209)
(23,865) Short Term Creditors	6.2.9	(21,655)
<b>(25,865) Current Liabilities</b>		<b>(40,864)</b>
(1,400) Provisions	6.2.10	(1,921)
(36,300) Long-Term Borrowing	6.2.14	(39,550)
(1,085) Other Long Term Liabilities	6.2.11	(542)
(1,805,669) Liability Related to Defined Benefit Pension Schemes	10.1.4	(2,131,516)
<b>(1,844,454) Long Term Liabilities</b>		<b>(2,173,529)</b>
<b>(1,765,041) Net Liabilities</b>		<b>(2,096,408)</b>
<b>Financed by:</b>		
Usable Reserves:		
(6,282) General Fund	6.2.12	(5,536)
(10,783) Earmarked Reserves	6.2.12	(7,753)
0 Capital Grant Unapplied		(331)
1,782,106 Unusable Reserves	6.2.13	2,110,028
<b>1,765,041 Total Reserves</b>		<b>2,096,408</b>

### 3.3 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 other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund before any discretionary transfers to or from earmarked reserves undertaken by the Group.

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total OPCC Group Reserves £000
<b>Balance as at 1 April 2015</b>		6,282	16,439	0	0	22,721	(2,029,155)	(2,006,434)
<b>Movement in Reserves During 2015/16:</b>								
Total Comprehensive Income and Expenditure	3.1	(32,850)	0	0	0	(32,850)	274,244	241,394
Adjustments Between Accounting Basis and Funding Basis Under Regulations	5.3	27,194	0	0	0	27,194	(27,194)	0
<b>Net increase/(decrease) before Transfers to Earmarked Reserves</b>		<b>(5,656)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,656)</b>	<b>247,050</b>	<b>241,394</b>
Transfers To/From Earmarked Reserves		5,656	(5,656)	0	0	0	0	0
<b>Decrease in 2015/16</b>		<b>0</b>	<b>(5,656)</b>	<b>0</b>	<b>0</b>	<b>(5,656)</b>	<b>247,050</b>	<b>241,394</b>
<b>Balance at 31 March 2016 Carried Forward</b>		<b>6,282</b>	<b>10,783</b>	<b>0</b>	<b>0</b>	<b>17,065</b>	<b>(1,782,105)</b>	<b>(1,765,040)</b>
<b>Movement in Reserves During 2016/17:</b>								
Total Comprehensive Income and Expenditure	3.1	(8,321)	0	0	0	(8,321)	(323,047)	(331,368)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	5.3	4,545	0	0	331	4,876	(4,876)	0
<b>Net increase/(decrease) before Transfers to Earmarked Reserves</b>		<b>(3,776)</b>	<b>0</b>	<b>0</b>	<b>331</b>	<b>(3,445)</b>	<b>(327,923)</b>	<b>(331,368)</b>
Transfers To/From Earmarked Reserves		3,030	(3,030)	0	0	0	0	0
<b>Decrease in 2016/17</b>		<b>(746)</b>	<b>(3,030)</b>	<b>0</b>	<b>331</b>	<b>(3,445)</b>	<b>(327,923)</b>	<b>(331,368)</b>
<b>Balance at 31 March 2017 Carried Forward</b>	3.2	<b>5,536</b>	<b>7,753</b>	<b>0</b>	<b>331</b>	<b>13,620</b>	<b>(2,110,028)</b>	<b>(2,096,408)</b>

### 3.4 Cash Flow Statement

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

2015/16		Notes	2016/17	
£000	£000		£000	£000
Operating Activities				
Cash outflows				
144,974	Cash paid to and on behalf of employees		147,055	
78,379	Other operating cash payments		87,157	
1,763	Interest paid		1,746	
				235,959
Cash inflows				
(58,731)	Precepts received		(60,003)	
(40,166)	National Non-Domestic Rate receipts	6.1.3	(39,937)	
(8,423)	Revenue Support Grant	6.1.3	(8,423)	
(106,851)	Other Government Grants and reimbursements	6.3.11	(105,026)	
(10,815)	Cash received for goods and services		(5,819)	
(38)	Interest received		(21)	
				(219,229)
92 REVENUE ACTIVITIES NET CASH FLOW				16,730
Cash Flows from Investing Activities				
Cash outflows				
7,975	Purchase of Fixed Assets		7,361	
2,100	Purchase of short-term and long-term investments		0	
				7,361
Cash inflows				
(146)	Sale of Fixed Assets	5.4.2	(222)	
(2,049)	Capital Grants received		(1,163)	
(11,051)	Proceeds from short-term and long-term investments	6.2.14	(2,100)	
0	Other Capital Cash Receipts		0	
				(3,485)
(3,171) NET CASH OUTFLOW BEFORE FINANCING				3,876
Management of Liquid Resources				
0	Net increase/(decrease) in short term deposits		0	
0	Net Increase / (decrease) in other Liquid Resources		0	
771	Repayments of amounts borrowed		2,271	
0	New loans raised- Long Term		(5,000)	
0	New loans raised- Short Term		(17,000)	
				(19,729)
(2,308) NET (INCREASE)/DECREASE IN CASH				877
(854) Cash and Cash Equivalents at the Beginning of the Reporting Period				(3,162)
(3,162) Cash and Cash Equivalents at the End of the Reporting Period				(2,286)



## Section 4

# Certifications

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

#### **Opinion on the Police and Crime Commissioner for Staffordshire financial statements**

We have audited the financial statements of the Police and Crime Commissioner for Staffordshire for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Staffordshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Staffordshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Staffordshire and Group Balance Sheet;
- Police and Crime Commissioner for Staffordshire and Group Cash Flow Statement;
- Police and Crime Commissioner for Staffordshire Pension Fund Account Statements; and
- related notes in sections 5 and 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 2016/17.

This report is made solely to the 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.

#### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 24, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Section 4 - Certifications

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### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Staffordshire and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

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 2017 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 2016/17.

### Opinion on other matters

In our opinion, the information given in the given in the Police and Crime Commissioner for Staffordshire Group Statement of Accounts 2016/17 and the Chief Constable statement of accounts (for the Chief constable of Staffordshire Police) for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 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

## Section 4 - Certifications

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### **Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Police and Crime Commissioner's responsibilities***

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***

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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, 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 2017.

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.

## Section 4 - Certifications

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### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, the Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### 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.

*Hassan Rohimun (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Manchester*

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

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

### 4.2 Statement of Responsibilities for the Statement of Accounts

#### **The Police and Crime Commissioner Responsibilities**

The authority is required to:

- Make arrangements for the proper administration of PCC's financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.  
In this authority, that responsibility rests with the Director of Finance and Performance.
- 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 2016/17.

**Matthew Ellis**

**Police and Crime Commissioner for Staffordshire**

#### **The Director of Finance and Performance's Responsibilities**

The Director of Finance and Performance 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 31 March 2017.

**Bipon Bhakri**

**Director of Finance and Performance for the Police and Crime Commissioner for Staffordshire**

# Section 5

## Funding Basis vs IFRS Basis

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

### 5.1 Performance against Budget 2016/17

For budget management purposes reports are prepared on a subjective, nominal account basis. Using this basis the pre-audit outturn was reported to Executive Board in June 2017 will show the net outturn as being £0.345m lower than that planned for the year. The revised budget reflects the redistribution of resources during the year to reflect the operational management decisions.

	2016/17 Original Budget £000	2016/17 Revised Budget £000	2016/17 Actuals £000	2016/17 Variance to Revised Budget £000	Transfor mation £000	Core Activity £000
<b>Expenditure</b>						
Police Officer Pay Costs	89,040	89,268	90,177	(909)	0	(909)
PCSO Pay Costs	8,571	8,572	7,977	595	0	595
Police Staff Pay Costs	43,397	40,796	40,580	216	0	216
Other Employee Costs	2,813	3,250	4,665	(1,416)	(413)	(1,003)
Police Officer Pensions	3,700	3,700	3,657	43	0	43
Repairs & Maintenance	0	0	0	0	0	0
Other Premises Costs	5,368	3,884	3,804	80	0	80
Vehicle Costs	3,393	3,386	1,925	1,461	0	1,461
Other Travel Costs	572	572	722	(150)	0	(150)
Operational Supplies & Service	6,344	6,324	5,891	433	0	433
Communications & Computers	8,068	3,638	5,527	(1,890)	(2,058)	168
Administration	4,852	2,140	3,660	(1,520)	(1,406)	(114)
Other Supplies & Services	133	133	280	(147)	0	(147)
Third Party Payments	5,974	17,112	18,146	(1,034)	(526)	(508)
Capital Financing Costs	4,456	4,456	4,058	398	0	398
<b>Subtotal Expenditure</b>	<b>186,681</b>	<b>187,231</b>	<b>191,069</b>	<b>(3,840)</b>	<b>(4,403)</b>	<b>563</b>
<b>Income</b>						
Grants & Contributions	(2,600)	(4,690)	(5,003)	313	0	313
Reimbursements	(1,890)	(1,892)	(4,337)	2,445	2,058	387
Sales, Fees & Charges	(1,306)	(1,810)	(1,915)	105	0	105
Recharge Payroll to Capital	0	0	0	0	0	0
Other Income	(1,129)	(1,129)	(172)	(957)	0	(957)
<b>Subtotal Income</b>	<b>(6,925)</b>	<b>(9,521)</b>	<b>(11,427)</b>	<b>1,906</b>	<b>2,058</b>	<b>(152)</b>
Reserve Transfers in	(1,366)	(40)	(2,345)	2,305	2,345	(40)
Reserve Transfers out	0	723	748	(25)	0	(25)
	<b>178,390</b>	<b>178,393</b>	<b>178,045</b>	<b>346</b>	<b>0</b>	<b>346</b>

## 5.2 Expenditure (IFRS) and Funding Analysis

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

2015/16 Adjustments Between Funding Basis and			2016/17 Adjustments Between Funding Basis and			
General Fund (Net Expenditure) £000	IFRS Basis (See 5.2.1 below) £000	CIES (Net Expenditure) £000	General Fund (Net Expenditure ) £000	IFRS Basis (See 5.2.1 below) £000	Reallocation (See 5.2.1 below) £000	CIES (Net Expenditure ) £000
93,034	(20,875)	72,159	90,176	(33,446)	0	56,730
49,749	5,033	54,782	48,557	3,428	1,254	53,239
3,074	0	3,074	4,665	0	351	5,016
4,961	0	4,961	3,657	0	34	3,691
4,778	0	4,778	3,804	0	0	3,804
3,834	0	3,834	2,647	0	436	3,083
21,873	0	21,873	15,357	0	23	15,380
5,910	0	5,910	18,146	0	0	18,146
0	8,130	8,130	0	7,691	0	7,691
0	1,097	1,097	0	403	520	923
<b>187,213</b>	<b>(6,615)</b>	<b>180,598</b>	<b>187,009</b>	<b>(21,924)</b>	<b>2,618</b>	<b>167,703</b>
		<b>Expenditure</b>				
(4,602)	0	(4,602)	(5,003)	0	0	(5,003)
(1,909)	0	(1,909)	(4,337)	0	0	(4,337)
(1,700)	0	(1,700)	(1,939)	0	(70)	(2,009)
(26)	0	(26)	(147)	0	0	(147)
<b>(8,237)</b>	<b>0</b>	<b>(8,237)</b>	<b>(11,426)</b>	<b>0</b>	<b>(70)</b>	<b>(11,496)</b>
<b>178,976</b>	<b>(6,615)</b>	<b>172,361</b>	<b>175,583</b>	<b>(21,924)</b>	<b>2,548</b>	<b>156,207</b>
		<b>Net Cost of Services</b>				
155	0	155	0	(52)	0	(52)
4,254	69,753	74,007	4,058	67,628	(22)	71,664
(177,729)	(35,944)	(213,673)	(178,390)	(41,107)	0	(219,498)
<b>5,656</b>	<b>27,194</b>	<b>32,850</b>	<b>1,251</b>	<b>4,545</b>	<b>2,526</b>	<b>8,321</b>
		<b>(Surplus) or deficit on Provision of Services</b>				
0	(1,954)	(1,954)	0	(2,711)	0	(2,711)
0	(272,290)	(272,290)	0	325,758	0	325,758
(5,656)	5,656	0	(1,597)	1,597	(2,526)	0
<b>0</b>	<b>(241,394)</b>	<b>(241,394)</b>	<b>(346)</b>	<b>329,189</b>	<b>0</b>	<b>331,368</b>
		<b>Net Surplus / Deficit funded from General Fund</b>				
6,282			6,282			
0			(1,090)			
0			346			
<b>6,282</b>			<b>5,538</b>			
		<b>Opening General Fund</b>				
		Transfers (in) / out				
		Net (surplus) / Deficit for the year				
		<b>Closing General Fund</b>				



## Section 5 – Funding Basis and Budget Monitoring

### 5.2.1 Analysis of EFA adjustments

#### 2016/17 EFA Adjustments

Adjustments from General Fund to arrive at the CIES	Capital	Pensions	Insurance	Other	Total
	£000	£000	£000	£000	£000
Police Officer Pay and Allowances	0	0	0	(54)	(54)
Officers Pension Service Costs Unfunded	0	(23,800)	0	0	(23,800)
Officers Pension Service Costs Funded	0	(8,300)	0	0	(8,300)
Pensions Paid	0	65,600	0	0	65,600
Police Staff Pay and Allowances	0	0	0	(248)	(248)
Staff Pension Service Costs	0	(9,071)	0	(34)	(9,105)
Staff Pension Payments Employer Contributions	0	5,815	0	0	5,815
Staff Pension Payments Unfunded Benefits	0	76	0	0	76
Staff Pension Contribution to prior year deficits	0	(1,254)	0	0	(1,254)
Other Employee Expenses	0	0	0	56	56
Supplies & Services	0	0	0	(23)	(23)
Insurance - employees	0	0	(407)	0	(407)
Insurance - vehicles	0	0	(436)	0	(436)
Depreciation, Amortisation and Impairment	(7,691)	0	0	0	(7,691)
Other Income and Expenditure	0	0	94	(24)	70
Non Distributed Costs	0	(403)	(520)	0	(923)
<b>Net Cost of Services</b>	<b>(7,691)</b>	<b>28,663</b>	<b>(1,269)</b>	<b>(327)</b>	<b>19,376</b>
Other Income and Expenditure	2,368	0	0	52	2,420
Pension Interest on Liabilities - Officers	0	(66,880)	0	0	(66,880)
Pension Interest on Liabilities - Staff	0	(9,628)	0	0	(9,628)
Pension Return on Assets	0	6,564	0	0	6,564
Financing and investment	0	0	0	(30)	(30)
Grants & Contributions	1,164	39,938	0	5	41,107
<b>(Surplus) or deficit on Provision of Services</b>	<b>(4,159)</b>	<b>(1,343)</b>	<b>(1,269)</b>	<b>(300)</b>	<b>(7,071)</b>
(Surplus) or Deficit on revaluation of non current assets	2,711	0	0	0	2,711
Re-measurement of the net defined benefit liabilities	0	(325,758)	0	0	(325,758)
Use of Reserves	0	0	0	(1,597)	(1,597)
<b>Difference between General Fund and CIES Surplus or Deficit on the Provision Of Services</b>	<b>(1,448)</b>	<b>(327,101)</b>	<b>(1,269)</b>	<b>(1,897)</b>	<b>(331,715)</b>

## Section 5 – Funding Basis and Budget Monitoring

### 2015/16 EFA Adjustments

Adjustments from General Fund to arrive at the CIES	Capital £000	Pensions £000	Insurance £000	Other £000	Total £000
Police Officer Pay and Allowances	0	0	0	(556)	(556)
Officers Pension Service Costs Unfunded	0	(28,540)	0	0	(28,540)
Officers Pension Service Costs Funded	0	(7,910)	0	0	(7,910)
Pensions Paid	0	57,270	0	0	57,270
Police Staff Pay and Allowances	0	0	0	611	611
Staff Pension Service Costs	0	(11,175)	0	0	(11,175)
Staff Pension Payments Employer Contributions	0	6,067	0	0	6,067
Staff Pension Payments Unfunded Benefits	0	75	0	0	75
Depreciation, Amortisation and Impairment	(8,130)	0	0	0	(8,130)
Non Distributed Costs	0	(1,097)	0	0	(1,097)
<b>Net Cost of Services</b>	<b>(8,130)</b>	<b>14,690</b>	<b>0</b>	<b>55</b>	<b>6,615</b>
Other Income and Expenditure	2,947	0	0	79	3,026
Pension Interest on Liabilities - Officers	0	(68,740)	0	0	(68,740)
Pension Interest on Liabilities - Staff	0	(9,367)	0	0	(9,367)
Pension Return on Assets	0	5,328	0	0	5,328
Grants & Contributions	2,049	33,894	0	0	35,943
<b>(Surplus) or deficit on Provision of Services</b>	<b>(3,134)</b>	<b>(24,195)</b>	<b>0</b>	<b>134</b>	<b>(27,195)</b>
(Surplus) or Deficit on revaluation of non current assets	1,954	0	0	0	1,954
Re-measurement of the net defined benefit liabilities	0	272,290	0	0	272,290
Use of Reserves	0	0	0	(5,655)	(5,655)
<b>Difference between General Fund and CIES Surplus</b>	<b>(1,180)</b>	<b>248,095</b>	<b>0</b>	<b>(5,521)</b>	<b>241,394</b>

#### Note (i) Adjustments for Capital Purposes

This column adds in depreciation and revaluation gains and losses in the services line. 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).

## Section 5 – Funding Basis and Budget Monitoring

### 5.2.2 Analysis of Variation between years in CIES and General Fund Movements

Reconciliation of movement in (Surplus) / Deficit in the Net Cost of Services	General Fund £000	CIES £000	TOTAL £000
<b>2015/16 Deficit in the Net cost of services</b>	<b>5,656</b>	<b>27,194</b>	<b>32,850</b>
Police Officer Pay and Allowances	(2,858)	(12,571)	(15,429)
Police Staff Pay and Allowances	(1,192)	(351)	(1,543)
Other Employee Expenses	1,591	351	1,942
Police Pensions	(1,304)	34	(1,270)
Premises	(974)	0	(974)
Transport	(1,187)	436	(751)
Supplies and Services	(6,516)	23	(6,493)
Agency and Contracted Services	12,236	0	12,236
Depreciation, Impairment etc	0	(439)	(439)
Non Distributed Costs	0	(174)	(174)
<b>Expenditure</b>	<b>(204)</b>	<b>(12,691)</b>	<b>(12,895)</b>
Grants & Contributions	(401)	0	(401)
Reimbursements	(2,428)	0	(2,428)
Sales, Fees & Charges	(239)	(70)	(309)
Other Income	(121)	0	(121)
<b>Income</b>	<b>(3,189)</b>	<b>(70)</b>	<b>(3,259)</b>
<b>Change in Net Cost of Services</b>	<b>(3,393)</b>	<b>(12,761)</b>	<b>(16,154)</b>
(Surplus) / Deficit on disposal of assets	(155)	(52)	(207)
Financing and Investment Income and Expenditure	(196)	(2,147)	(2,343)
Taxation and Non-Specific Grant Income	(661)	(5,164)	(5,825)
<b>Funding</b>	<b>(1,012)</b>	<b>(7,363)</b>	<b>(8,375)</b>
Reduction in deficit	(4,405)	(20,124)	(24,529)
<b>2016/17 Deficit in the Net cost of Services</b>	<b>1,251</b>	<b>7,071</b>	<b>8,321</b>

### 5.2.3 Prior Period Restatement of Service Expenditure and Income

The 2016/17 Code requires the Group and PCC to present expenditure and income on services in the CIES on the basis of its reportable segments. These arrangements are based on the Group's internal management reporting structure. This note shows how the CIES expenditure and income has been restated from the SeRCOP basis that was used previously.

Gross Expenditure	Restated 2015/16 Service											Total Gross Expenditure
	Police Officer Pay and Allowances	Police Staff Pay and Allowances	Other Employee Expenses	Police Pensions	Premises	Transport	Supplies and Services	Agency and Contracted Services	Depreciation, Amortisation and Impairment	Non Distributed Costs		
Local Policing	40,522	16,575	896	2,269	2,052	1,566	6,925	2,390	3,780	0	76,975	
Dealing with the public	937	11,835	806	485	442	311	1,450	473	(1)	0	16,738	
Criminal Justice Arrangements	2,579	6,583	208	404	364	293	4,380	426	297	0	15,535	
Road Policing	2,207	1,341	134	156	223	261	566	(237)	355	0	5,005	
Specialist Operations	5,731	1,033	137	236	213	188	1,004	760	872	0	10,174	
Intelligence	2,162	3,075	132	210	189	191	884	236	368	0	7,446	
Specialist Investigations	16,133	8,084	536	958	1,073	786	3,447	1,248	1,873	0	34,139	
Investigative Support	247	4,659	158	167	151	120	2,462	163	437	0	8,565	
National Policing	1,642	574	33	77	70	95	221	8	149	0	2,871	
Corporate and Democratic Core	0	1,023	33	0	0	21	536	442	0	0	2,055	
Non Distributed Costs	0	0	0	0	0	0	0	0	0	1,097	1,097	
Total Expenditure	72,161	54,782	3,074	4,961	4,778	3,834	21,873	5,910	8,130	1,097	180,600	

## Restated Gross Income

Gross Income	Grants & Contributions	Reimbursements	Sales, Fees & Charges	Other Income	Total Income
Local Policing	(1,181)	(5)	(179)	(520)	(1,885)
Dealing with the public	(200)	(1)	0	(28)	(229)
Criminal Justice Arrangements	(208)	(15)	(1,036)	(289)	(1,548)
Road Policing	(976)	0	0	(333)	(1,309)
Specialist Operations	(121)	(1)	(78)	(363)	(563)
Intelligence	(91)	(1)	0	(19)	(111)
Specialist Investigations	(1,104)	(2)	(23)	(110)	(1,239)
Investigative Support	(69)	0	(24)	(19)	(112)
National Policing	(651)	0	(569)	(18)	(1,238)
Corporate and Democratic Core	0	0	0	0	0
Non Distributed Costs	0	0	0	0	0
<b>Total Expenditure</b>	<b>(4,601)</b>	<b>(25)</b>	<b>(1,909)</b>	<b>(1,699)</b>	<b>(8,234)</b>

### 5.3 Adjustments between IFRS Basis and Funding Basis

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

2015/16				2016/17			
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments Primarily Involving the Capital Adjustment Account:</b>							
<i>Reversal of items Debited or Credited to the CIES:</i>							
0	0	0	0	553	0	0	(553)
6,591	0	0	(6,591)	5,495	0	0	(5,495)
680	0	0	(680)	413	0	0	(413)
				170	0	0	(170)
859	0	0	(859)	651	0	0	(651)
(271)	0	0	271	(271)	0	0	271
<i>Insertion of items not debited or credited to the CIES:</i>							
(1,640)	0	0	1,640	(2,045)	0	0	2,045
(846)	0	0	846	579	0	0	(579)
<b>Adjustments Primarily involving the Capital Grants Unapplied Account</b>							
0	0	0	0	(331)	0	331	0
(2,049)	0	0	2,049	(833)	0	0	833
<b>Adjustments primarily involving the Capital Receipts Reserve</b>							
155	146	0	(301)	(222)	222	0	0
0	(146)	0	146	0	(222)	0	222
<b>Adjustments Involving the Pensions Reserve</b>							
121,001	0	0	(121,001)	111,518	0	0	(111,518)
(63,412)	0	0	63,412	(71,491)	0	0	71,491
(33,894)	0	0	33,894	(39,938)	0	0	39,938
<i>Use of Usable Pensions reserve to fund deficit in year</i>							
<b>Adjustments Involving the Collection Fund Adjustment Account</b>							
76	0	0	(76)	(5)	0	0	5
<b>Adjustment Involving the Accumulated Absences Account</b>							
(55)	0	0	55	302	0	0	(302)
<b>27,195</b>	<b>0</b>	<b>0</b>	<b>(27,195)</b>	<b>4,545</b>	<b>0</b>	<b>331</b>	<b>(4,876)</b>

## 5.4 Capital

### 5.4.1 Capital Expenditure

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

	2016/17 Original Budget £000	2016/17 Virements £000	2016/17 Additions £000	2016/17 Slippage to next year £000	2016/17 Revised budget £000	2016/17 OUTTURN Actual £000
Estates Projects	7,869	0	1,705	(6,054)	3,520	2,665
ICT & Transformation Projects	15,765	(48)	855	(15,488)	1,084	1,146
Equipment	242	0	0	(102)	140	72
Vehicles	2,419	48	100	(334)	2,233	2,233
<b>TOTAL CAPITAL PROGRAMME</b>	<b>26,295</b>	<b>0</b>	<b>2,660</b>	<b>(21,978)</b>	<b>6,977</b>	<b>6,115</b>

The total planned spend of £26.295m was in large part slipped to next year as critical IT developments awaited the support and advice of our strategic partner.

### 5.4.2 Capital Financing Requirement (CFR)

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

2015/16 £000	2016/17 £000
<b>47,532 Opening Capital Financing Requirement</b>	<b>53,018</b>
<b>Capital Investment</b>	
9,278 Property, Plant and Equipment	3,103
0 Non Operational Assets	2,097
1,160 Intangible Assets	337
(271) Revenue Expenditure Funded from Capital Under Statute	(271)
<b>Sources of Finance:</b>	
(2,049) Capital Grants Received in Year	(833)
0 Capital Grants from Earmarked Reserves	0
(146) Capital Receipts	(222)
<b>Sums Set Aside From revenue:</b>	
(58) Direct Revenue Contributions	0
(788) Direct Revenue Contribution From Earmarked Reserves	0
(1,640) Minimum Revenue Provision	(2,045)
<b>53,018 Closing Capital Financing Requirement</b>	<b>55,184</b>
<b>Explanation of Movements in Year:</b>	
5,486 Increase in underlying Need to Borrow (Supported by Government	2,166
0 Decrease in Underlying Need to Borrow (Unsupported by Government	0
Financial Assistance)	
<b>5,486 Increase in Capital Financing Requirement</b>	<b>2,166</b>



## 5.5 Long Term Borrowing

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

	As at 31 March 2016 £000	As at 31 March 2017 £000
<b>Analysis by lender</b>		
Public Work Loan Board	38,300	41,300
	<b>38,300</b>	<b>41,300</b>
<b>Analysis by Maturity</b>		
Less Than One Year	2,000	1,750
Between One To Two Years	1,750	1,250
Between Two To Five Years	4,250	9,600
More Than Five Years	30,300	28,700
<b>Total</b>	<b>38,300</b>	<b>41,300</b>

A significant proportion of the borrowing – 66% - matures more than 10 years after the balance sheet date. The maximum amount repayable in any one year is £4.05m.

# Section 6

# Notes to the Financial Statements

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

## 6.1 Comprehensive Income and Expenditure Notes

### 6.1.1 Financing and Investment Net Expenditure

Financing and Investment includes the following items,

2015/16 £000	2016/17 £000
1,766 Interest Payable and Similar Charges	1,743
72,279 Pension Net Interest Cost	69,944
(38) Interest Receivable and Similar Income	(23)
<b>74,007 Total</b>	<b>71,664</b>

### 6.1.2 Specific Grants

Included within the Gross income figure in the Net Cost of Services for the OPCC Group are specific grants and contributions of £5.003m. A breakdown of these by awarding body is listed below:

2015/16 £000	Body	2016/17 £000	
1,230	Victim Service Grant/ Completed Fund	Ministry of Justice	1,314
912	Safety Roads Partnership	Staffordshire County Council	587
448	CSE Innovation Fund	Ministry of Justice	448
542	Counter Terrorism	Home Office	436
-	FME Early Adopter	Department of Health	206
164	Loan Charges	Home Office	164
-	Police Fire & Rescue collaboration	Home Office	112
-	Ending Gang Violence and Exploitation	Home Office	10
24	Drug Testing Enforcement	Home Office	-
<b>3,320</b>	<b>Total Specific Grants</b>		<b>3,277</b>
1,283	Contributions		1,726
<b>4,603</b>	<b>Total Grants and Contributions</b>		<b>5,003</b>

### 6.1.3 Taxation and Non-Specific Grant Income

2015/16 £000	2016/17 £000
(58,731) Precepts	(60,008)
(66,868) Police Revenue Grant	(66,487)
(40,166) Non- Domestic Rates Redistribution	(39,937)
(8,423) Localisation of Council Tax	(8,423)
(3,541) Council Tax Freeze Grant	(3,541)
(2,049) Capital Grants and Contributions	(1,163)
<b>(179,779) Taxation and Non-Specific Grant Income OPCC</b>	<b>(179,560)</b>
(33,894) Home Office Top Up Grant	(39,938)
<b>(213,673) Taxation and Non-Specific Grant Income Group</b>	<b>(219,498)</b>

### 6.1.4 Audit Fees

The audit fees payable in 2016/17 to the Auditors in relation to the audit of OPCC Group accounts were as follows:

2015/16 £	2016/17 £
60,757 External Audit Fees	46,732
<b>60,757 Total Audit Fees</b>	<b>46,732</b>

### 6.1.5 Operating Leases

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

2015/16 £000	2016/17 £000
6 No Later Than One Year	119
65 Later Than One Year and Not Later Than Five Years	43
2,169 Later Than 5 Years	633
<b>2,240 Total Leasing Commitments</b>	<b>794</b>

### 6.1.6 Material Items of Income and Expenditure

There are no material items of Income or Expenditure in 2016/17 that require specific disclosure.

## 6.2 Balance Sheet Notes

### 6.2.1 Property, Plant and Equipment

#### Movements in 2016/17

	Land and Buildings			Assets Under Construction	Vehicles, Plant and Equipment	Total Property Plant and Equipment
	Land and Building	Surplus Assets	Total Land and Buildings			
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation as at 1 April</b>	<b>52,390</b>	<b>2,290</b>	<b>54,680</b>	<b>0</b>	<b>43,357</b>	<b>98,037</b>
Additions	525	28	553	2,097	2,550	5,200
Adjustments	0	0	0	0	0	0
Donations	0	0	0	0	0	0
Revaluation increases /(decreases) recognised in Revaluation Reserve	427	0	427	0	0	427
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit of the Provision of Services	(413)	0	(413)	0	0	(413)
Derecognition disposals	0	0	0	0	(608)	(608)
Derecognition other	0	0	0	0	(106)	(106)
Assets Reclassified	0	0	0	0	0	0
Other Movements in Cost or Valuation	(525)	(28)	(553)	0	(16)	(569)
	<b>52,404</b>	<b>2,290</b>	<b>54,694</b>	<b>2,097</b>	<b>45,177</b>	<b>101,968</b>
<b>As at 31 March</b>						
<b>Accumulated Depreciation and Impairment</b>						
<b>As at 1 April</b>	<b>(3,474)</b>	<b>(51)</b>	<b>(3,525)</b>	<b>0</b>	<b>(26,693)</b>	<b>(30,218)</b>
Depreciation Charge	(1,211)	(72)	(1,282)	0	(4,394)	(5,677)
Adjustments	107	0	107	0	75	182
Depreciation Written Out to the Revaluation Reserve	1,284	0	1,284	0	0	1,284
Depreciation Written Out to the Surplus/ Deficit on the provision of Services	0	0	0	0	0	0
Impairment Losses (Reversals) Recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment Losses (Reversals) Recognised in the Surplus/ Deficit on the provision of Services	0	0	0	0	0	0
Derecognition disposals	0	0	0	0	520	520
Derecognition other	0	0	0	0	37	37
Other Movements in Depreciation and Impairment	0	0	0	0	2	2
	<b>(3,294)</b>	<b>(123)</b>	<b>(3,417)</b>	<b>0</b>	<b>(30,453)</b>	<b>(33,870)</b>
<b>As at 31 March</b>						
<b>Net Book Value 2017</b>	<b>49,110</b>	<b>2,167</b>	<b>51,277</b>	<b>2,097</b>	<b>14,724</b>	<b>68,098</b>
<b>Net Book Value 2016</b>	<b>48,916</b>	<b>2,239</b>	<b>51,155</b>	<b>0</b>	<b>16,664</b>	<b>67,819</b>

## Movements in 2015/16

	Land and Buildings Land and Building	Surplus Assets	Total Land and Buildings	2015/16 Vehicles, Plant and Equipment	Total Property Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation as at 1 April</b>	<b>53,788</b>	<b>577</b>	<b>54,365</b>	<b>39,001</b>	<b>93,366</b>
Additions	2,013	0	2,013	7,265	9,278
Adjustments	0	2	2	(685)	(683)
Donations	0	0	0	0	0
Revaluation Increases Recognised in Revaluation Reserve	1,169	285	1,454	0	1,454
Revaluation Decrease as a Result of Depreciation Written Out Through the Revaluation Reserve	(756)	(99)	(855)	0	(855)
Revaluation (Decreases) Recognised in the Surplus/ Deficit of the Provision of Services	(680)	0	(680)	0	(680)
De-Recognition Disposals	(1,618)	0	(1,618)	(2,226)	(3,844)
Assets Reclassified to Held for Sale	(420)	420	0	0	0
Other Movements in Cost or Valuation	(1,106)	1,104	(2)	2	0
<b>As at 31 March</b>	<b>52,390</b>	<b>2,289</b>	<b>54,679</b>	<b>43,357</b>	<b>98,036</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>As at 1 April</b>	<b>(2,964)</b>	<b>(31)</b>	<b>(2,995)</b>	<b>(25,714)</b>	<b>(28,709)</b>
Depreciation Charge	(1,355)	(52)	(1,407)	(3,686)	(5,093)
Adjustments	0	0	0	683	683
Depreciation Written Out to the Revaluation Reserve	756	99	855	0	855
De-Recognition- Other	4	0	4	2,041	2,045
Other Movements in Depreciation and Impairment	86	(67)	19	(17)	2
<b>As at 31 March</b>	<b>(3,473)</b>	<b>(51)</b>	<b>(3,524)</b>	<b>(26,693)</b>	<b>(30,217)</b>
<b>Net Book Value 2016</b>	<b>48,917</b>	<b>2,238</b>	<b>51,155</b>	<b>16,664</b>	<b>67,819</b>
<b>Net Book Value 2015</b>	<b>50,824</b>	<b>546</b>	<b>51,370</b>	<b>13,287</b>	<b>64,657</b>

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation in 2016/17.

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

### Capital Commitments

As part of the capital programme the OPCC had in progress during 2016/17 a number of contracted schemes which were not completed before 31 March 2017. The potential budgeted capital commitment arising from those schemes is estimated to be £8.4m (£5.2m in 2015/16).

### Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

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

	Land and Building	Surplus Assets	Assets Under Construction	Assets Held For Sale	Vehicles, Plant and Equipment	Total
	£000	£000	£000	£000	£000	£000
<b>Carried at Historical Cost</b>	0	0	2,097	0	45,177	47,275
Valued at Fair Value as at:						
31 March 2017	8,817	0	0	1,000	0	9,817
31 March 2016	13,300	2,230	0	7,500	0	23,030
31 March 2015	21,255	0	0	0	0	21,255
Up to 31 March 2014	9,032	60	0	0	0	9,092
<b>Total Gross Cost or Valuation</b>	<b>52,404</b>	<b>2,290</b>	<b>2,097</b>	<b>8,500</b>	<b>45,177</b>	<b>110,468</b>

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

	Receipts for Sale of Assets	Carrying Amount	Less Depreciation	Net Loss
	£000	£000	£000	£000
31 March 2017	222	(730)	560	<b>52</b>
31 March 2016	146	(2,602)	2,301	<b>(155)</b>
31 March 2015	226	(1,742)	703	<b>(813)</b>
31 March 2014	1,087	(4,395)	2,276	<b>(1,032)</b>

### 6.2.2 Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. An amortisation of £0.651m was charged to revenue in 2016/17, (£0.859m in 2015/16).

2015/16 £000	2016/17 £000
<b>Balance at Start of Year:</b>	
8,342 Gross Carrying Amounts	9,971
(6,592) Accumulated Amortisation	(7,195)
<b>1,750 Net Carrying Amount at Start of Year</b>	<b>2,776</b>
725 Adjustments	0
1,160 Additions-Purchases	337
0 Assets Reclassified as Held For Sale	0
(256) Other Disposals	0
0 Revaluation Increase or Decreases	0
0 Impairment Losses	0
0 Recognised in the Revaluation Reserve	0
0 Impairment Losses Recognised in the Surplus/Deficit in the provision of Services	0
0 Reversals of Past Impairment Losses Written Back to the Surplus/ Deficit on the Provision of Services	0
(859) Amortisation for the Period	(651)
256 Write Out Amortisation on Disposal	
<b>1,026 Net Carrying Amount at End of Year</b>	<b>(314)</b>
<b>Comprising:</b>	
9,971 Gross Carrying Amounts	10,308
(7,195) Accumulated Amortisation	(7,846)
<b>2,776</b>	<b>2,462</b>



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

### 6.2.3 Long Term Debtors

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

As the payment of the capital receipt is deferred it has been discounted at a rate of 3.5% to illustrate the 'real' loss from the disposal of the helicopter and the remaining balance of this is shown in Note 6.2.13 as an unusable reserve of £0.444m.

This is balanced by the debtor for these payments which are shown as £0.364m here as a debtor due in more than 12 months with the remaining payment expected being shown as a short term debtor of £0.080m included in the figures in Note 6.2.7.

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

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

### 6.2.4 Assets Held for Sale

2015/16 £000	2016/17 £000
<b>7,000 Balance Outstanding at Start of Year:</b>	<b>7,500</b>
<i>Assets Newly Classified as Held For Sale:</i>	
0 Property, Plant and Equipment	0
0 Intangible Assets	0
0 Other Disposals	0
0 Revaluation Losses	0
500 Revaluation Gains	1,000
0 Impairment Losses	0
<i>Assets Declassified as Held For Sale:</i>	
0 Property, Plant and Equipment	0
0 Intangible Assets	0
0 Other	0
0 Assets Sold	0
0 Transfers from Non-Current to Current	0
0 Other Movements	0
<b>7,500 Balance Outstanding at Year End</b>	<b>8,500</b>

### 6.2.5 Statement of Major Non-Current Assets

2015/16	2016/17
24 Police Stations / Posts	24
1 Headquarter Sites	1
7 Police Houses	7
7 Other Buildings	8
1 Radio Aerial Sites	1
550 Vehicles	600

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

### 6.2.6 Inventories

During 2016/17 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 £0.415m does however reflect the value of a number of different stock types including ammunition, protective clothing and uniform as at 31 March 2017.

### 6.2.7 Short Term Debtors

A breakdown of the Debtors figure in the balance sheet is provided below. The balance per debtor category is shown net of any impairment. All Debtors were held on the Balance Sheet of the PCC and the OPCC Group during 2015/16 and 2016/17.

31 March 2016 £000	31 March 2017 £000
12,405 Central Government Bodies	19,698
2,910 Other Local Authorities	3,019
26 NHS Bodies	226
0 Public Corporation	20
6,137 Other Entities and Individuals	12,896
<b>21,478 Total Short Term Debtors</b>	<b>35,859</b>

### 6.2.8 Cash and Cash Equivalents

A breakdown of the cash figure in the Balance Sheet is provided below. All cash was held by the PCC and the OPCC Group during 2015/16 and 2016/17.

31 March 2016 £000	31 March 2017 £000
<b>Current Assets:</b>	
501 Cash in Hand and Bank Current Account	29
2,661 Short Term Deposits	2,257
<b>3,162 Total Current Cash and Equivalents</b>	<b>2,286</b>
<b>Current Liabilities</b>	
0 Bank Overdraft	0
<b>3,162 Total Current Cash and Equivalents</b>	<b>2,286</b>

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

### 6.2.9 Short Term Creditors

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

31 March 2016 £000	31 March 2017 £000
3,076 Central Government Bodies	2,918
4,137 Other Local Authorities	2,167
214 NHS Bodies	48
16,438 Other Entities and Individuals	16,522
<b>23,865 Total Short Term Creditors</b>	<b>21,655</b>

### 6.2.10 Provisions

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

#### Long Term Liabilities

##### *Insurance Provision*

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

31 March 2016 £000	31 March 2017 £000
<b>1,461</b> Balance as at 1 April	<b>1,400</b>
867 Contribution to provision in year	1,270
13 Interest on Balances transferred to the provision	2
(941) Net Expenditure in year	(751)
<b>1,400</b> Balance as at 31 March	<b>1,921</b>

### 6.2.11 Other Long Term Liabilities

Other Long Term Liabilities in the Balance Sheet of £0.542m (£1.085m 31 March 2016) relate to loans outstanding as at 31 March 2017 which are administered by Staffordshire County Council on behalf of the OPCC. Principal repayments of £0.271m have also been made in 2016/17 (£0.271m in 2015/16) and £0.272m moved to short term borrowing to recognise that this will be paid within 12 months.

31 March 2016 £000	31 March 2017 £000
<b>1,356</b> Balance as at 1 April	<b>1,085</b>
(271) Payment of loan	(271)
0 Transfer to short term creditors	(272)
<b>1,085</b> Balance as at 31 March	<b>542</b>

### 6.2.12 Earmarked and Usable Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17. All Usable Reserves are held by the PCC.

	Balance 1	Group Transfers		Balance 31
	April	Out	Transfer In	March
	£000	£000	£000	£000
General Fund	6,282	(1,091)	345	5,536
Reshaping the Future	6,679	(2,345)	221	4,555
Insurance Reserve	2,108	(1,269)	0	839
Earmarked Reserve Pensions	1,996	(1,254)	869	1,611
Crash Course	0	0	296	296
Early Adopter Income	0	0	190	190
Seized Vehicle Fund	0	0	177	177
MDA Forfeiture Fund	0	0	85	85
<b>Total</b>	<b>17,065</b>	<b>(5,959)</b>	<b>2,183</b>	<b>13,289</b>

- **General Fund** is the minimum amount required to be retained to provide a working balance to cover day to day cash flow requirements a fall back to cover exceptional unforeseen financial and operational risks, which also includes police pensions.
- **Reshaping the Future Reserves** – this reserve has been created to help fund the transformation currently taking place in order to achieve the required savings to balance future budgets. These reserves will cover the cost of external advisors, redundancy and some investments required in order to achieve more efficiencies and reduce future costs for the force.
- **Insurance Reserve** - provides for the self-funding of certain uninsurable risks, and also to cover the excess (£100,000) for any unknown claims before the insurance cover is applied and the aggregate stop loss for each year. The reserve covers amounts falling outside the definition of the insurance provision as they are unknown claims which could occur from past or future events.
- **Earmarked pensions reserve** – This reserve has been created as the Local Government Pension Scheme revalue their pension scheme every triannual and the OPCC are required to make contributions towards the scheme.
- **Other Earmarked reserves** – the OPCC has other funding sources which are restricted in terms of the purpose or timing of their use and these have been established on the balance sheet during 2016/17.

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

### 6.2.13 Unusable Reserves

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

	Balance 1 April £000	Group Transfers Out £000	Transfer In £000	Balance 31 March £000
Accumulated Absences Account	(3,522)	(302)	0	(3,824)
Revaluation Reserves	6,481	(459)	2,918	8,940
Capital Adjustment Account	18,564	(7,439)	3,201	14,326
Deferred Capital Receipts	444	0	0	444
Pension Reserve	(1,805,669)	0	(325,847)	(2,131,516)
Collection Fund Adjustment Account	1,597	0	5	1,602
<b>Total</b>	<b>(1,782,105)</b>	<b>(8,200)</b>	<b>(319,723)</b>	<b>(2,110,028)</b>

#### 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 31 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 1 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 31 March 2016 and 31 March 2017.

2015/16 £000	2016/17 £000
<b>(3,577) Balance as at 1 April</b>	<b>(3,522)</b>
3,577 Settlement or Cancellation of Accrual Made at the End of the Preceding Year.	3,522
<b>(3,522) Amounts Accrued at the End of the Current Year</b>	<b>(3,824)</b>
Amount by Which Officer Remuneration Charged to the CIES on Accruals Basis is Different From Remuneration Chargeable in the Year in Accordance with Statutory Requirements.	
55	(302)
<b>(3,522) Balance as at 31 March</b>	<b>(3,824)</b>

### 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 1 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.

2015/16		2016/17	
£000	£000	£000	£000
	<b>5,152</b>		<b>6,481</b>
	<b>Balance as at 1 April</b>		
1,976	Upward Revaluation of Assets	1,634	
0	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/ Deficit on the Provision of Services	(207)	
(22)	Reversal of Impairment Which Should have been charged to CIES	0	
0	Additional Adjustment to Depreciation as a Result of Restatement of Impairments	1,284	
	Reversal of Previous Impairments Written Out to the Capital Adjustment Account		
	<b>1,954</b>		<b>2,711</b>
	<b>Surplus or Deficit on Revaluation of NCA</b>		
(410)	Adjustments for Last Year	0	
(158)	Difference Between FV Depreciation and Historical Costs Dep'n	(252)	
(57)	Accumulated Gains on Assets Sold or Scrapped	0	
	<b>6,481</b>		<b>8,940</b>
	<b>Balance as at 31 March</b>		

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement 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.

2015/16	2016/17
£000	£000
1,673	1,597
<b>Balance as at 1 April</b>	
Amount by which Council Tax Income Credited to	
(76) CIES is Different From Council Tax Income Calculated	5
for the Year in Accordance with Statutory	
<b>1,597</b>	<b>1,602</b>
<b>Balance as at 31 March</b>	

### **Capital Adjustment Account**

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

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

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

2015/16		2016/17	
£000	£000	£000	£000
21,415	<b>Balance as at 1 April</b>		18,562
	<i>Reversal of items Relating to Capital Expenditure Debited or Credited to the CIES:</i>		
411	Adjustments	(300)	
(6,591)	Charges for Depreciation and Impairment of Non-Current Assets	(5,495)	
0	Derecognition and Write Off to Impairments of Non-Current Assets using Revaluation Gains in Year	0	
(680)	Revaluation Losses on Property, Plant and Equipment	(413)	
(859)	Amortisation of Intangible Assets	(651)	
271	Revenue Expenditure Funded from Capital Under Statute	271	
(244)	Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/ Loss on Disposal to the CIES	(170)	
158	Adjusting Amounts Written Down Out of the Revaluation Reserve		
<b>(7,534)</b>	<b>Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year</b>		<b>(6,758)</b>
	<i>Capital Financing in the Year:</i>		
146	Use of Capital Receipts Reserve to Finance New Capital Expenditure	222	
2,049	Capital Grant and Contribution Credited to the CIES that have been Applied to Capital	833	
0	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	0	
1,640	Statutory Provision for the Financing of the Capital Investment Charged Against the General Fund	2,045	
846	Capital Expenditure Charged Against the General Fund	(579)	
<b>4,681</b>			<b>2,520</b>
<b>18,562</b>	<b>Balance as at 31 March</b>		<b>14,325</b>



### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for the funding of benefits in accordance with statutory provisions. The OPCC Group accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the OPCC makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the OPCC Group has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £000		2016/17 £000
<b>(2,054,264)</b>	<b>Balance as at 1 April</b>	<b>(1,805,669)</b>
272,290	Re-measurement of the net defined benefit Liability	(325,758)
(121,001)	Reversal of Items Relating to Retirement Benefits Debited or Credited to CIES	(111,518)
63,412	Employers Pensions Contribution and Direct Payments to Pensioners Payable in the Year	71,491
33,894	Additional Contribution to the Pension Fund Balance the Deficit on the Fund Account	39,938
<b><u>(1,805,669)</u></b>	<b>Balance as at 31 March</b>	<b><u>(2,131,516)</u></b>

### 6.2.14 Financial Instruments

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

- The new borrowing interest rates at the 31 March 2017 for all Public Works Loan Board (PWLb) loans and the market rate applicable at the 31 March 2017 for investments;
- No early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- Short term debtors and creditors are carried at cost as this is an approximation of their fair value. Total short term financial assets and liabilities relating to debtors and creditors are included in Notes 6.2.7 and 6.2.9.
- The fair values in 2016/17 are calculated under IFRS 13 which under the definition the fair value is calculated as the price that would be received to sell an asset or paid to transfer its liability.

	AS AT 31 MARCH 2016		AS AT 31 MARCH 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>				
PWLB Long Term Borrowing	36,300	48,032	39,550	55,100
	36,300	48,032	39,550	55,100
PWLB Short Term Borrowing	2,000	2,078	1,750	1,805
Short Term Borrowing from OLAS	-	-	17,271	17,780
Interest due within one year	191	-	188	188
	2,191	2,078	19,209	19,773
Creditors which are financial instruments	11,099	11,099	6,735	6,735
<b>Total Liability</b>	<b>49,590</b>	<b>61,209</b>	<b>65,494</b>	<b>81,608</b>
	AS AT 31 MARCH 2016 Carrying Amount £000	Fair Value £000	AS AT 31 MARCH 2017 Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
<b>Short Term Investments</b>				
Fixed Term Deposits	2,100	2,100	0	0
<b>Total Short Term Investments</b>	<b>2,100</b>	<b>2,100</b>	<b>0</b>	<b>0</b>
<b>Cash Equivalents</b>				
Cash Equivalents	501	501	86	86
Fixed Term Deposits	2,661	2,661	2,200	2,200
Money Market Funds	0	0	0	0
<b>Total Cash and Cash Equivalent</b>	<b>3,162</b>	<b>3,162</b>	<b>2,286</b>	<b>2,286</b>
Debtors which are financial instruments	1,092	1,092	6,584	6,584
<b>Total Assets</b>	<b>6,354</b>	<b>6,354</b>	<b>8,870</b>	<b>8,870</b>

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

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

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

The OPCC's Treasury Management function is sub-contracted to Staffordshire County Council and the Council's management of treasury risks actively works to minimise the

OPCC's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Group has fully adopted the CIPFA's *Treasury Management in the Public Services: Code of Practice* and has written Treasury Management practice notes dealing with different aspects of the function.

### Credit risk

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

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

	As at 31 March	Historical Experience of Default	Historical Experience Adjusted for Market Conditions	Estimated Maximum Exposure to default and Collectability
	£000	%	%	£000
Deposits with Banks and other Financial Institutions	2,200	N/A	N/A	N/A
Customers	2,767	0.5%	0.5%	12

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 £0.511m of the £2.767m balance (£0.219m of £0.634m in 2015/16) is past its due date for payment but has not been impaired. The past due amount can be analysed by age as follows:

	As at 31 March 2016	As at 31 March 2017
	£000	£000
Less than Three Months	68	470
Three to Six Months	64	25
Six months to One Year	18	3
More Than One Year	69	12
<b>Total</b>	<b>219</b>	<b>510</b>

### Liquidity risk

The OPCC has access to a facility to borrow from the Public Works Loan Board. As a result there is no significant risk of being unable to raise finance to meet its commitments.

Safeguards are in place to ensure that a significant proportion of borrowing does not mature for repayment at any one time in the future, to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The policy is to ensure that no more than 10% of loans are due to mature within any financial year, through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

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

	As at 31 March 2016	As at 31 March 2017
	£000	£000
<b>Analysis by lender</b>		
Public Work Loan Board	38,300	41,300
Other Local Authorities	-	17,271
	<b>38,300</b>	<b>58,571</b>
<b>Analysis by Maturity</b>		
Less Than One Year	2,000	19,021
Between One To Two Years	1,750	1,250
Between Two To Five Years	4,250	9,600
More Than Five Years	30,300	28,700
<b>Total</b>	<b>38,300</b>	<b>58,571</b>

### 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 31 March 2017, 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	48
<b>Impact on CIES</b>	<b>48</b>
Decrease in Fair Value of Fixed Rate Borrowing Liabilities	7,747
(No Impact on CIES)	0

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

### **Foreign exchange risk**

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

## **6.3 Other Notes**

### **6.3.1 Termination Benefits and Exit Packages**

During 2016/17 the Group approved 11 voluntary redundancies and early retirements (38 in 2015/16) at a total cost of £0.442m (£0.876m 2015/16). 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 each Band	
	2015/16	2016/17	2015/16 £	2016/17 £
£0 - £20,000	17	4	143,948	47,888
£20,001 - £40,000	14	4	455,248	130,750
£40,001 - £60,000	7	1	277,086	40,753
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	1	0	96,057
£100,001 - £120,000	0	1	0	126,813
<b>Total</b>	<b>38</b>	<b>11</b>	<b>876,282</b>	<b>442,261</b>

In 2016/17 there were no packages related to staff under the direction and control of the PCC.

### 6.3.2 Officers Remuneration

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

Remuneration Band	Group	
	2015/16	2016/17
£50,000 - £54,999	98	86
£55,000 - £59,999	46	42
£60,000 - £64,999	16	13
£65,000 - £69,999	14	5
£70,000 - £74,999	1	3
£75,000 - £79,999	4	8
£80,000 - £84,999	3	0
£85,000 - £89,999	2	3
£90,000 - £94,999	0	1
£95,000 - £99,999	0	0
£100,000 - £104,999	1	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	1	1
<b>Total</b>	<b>187</b>	<b>164</b>

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

Post Holder Information	Notes	Salary	Bonuses and Allowances	Benefits in Kind	Other Payments	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration
		£	£	£	£	£	£	£
<b>Senior Executives of the Chief Constable</b>	1							
Chief Constable	2, 3	144,171	0	1,935	3,066	149,172	0	149,172
Deputy Chief Constable	2, 3	118,938	0	2,001	2,635	123,573	25,334	148,907
Assistant Chief Constable A	2, 3	22,729	0	379	578	23,686	4,841	28,527
Assistant Chief Constable B	2, 3	98,682	0	3,208	2,635	104,525	21,019	125,544
Assistant Chief Constable C	2, 3, 4	64,962	0	1,363	1,756	68,081	13,837	81,918
Sub Total Chief Constable		<b>449,480</b>	<b>0</b>	<b>8,886</b>	<b>10,671</b>	<b>469,037</b>	<b>65,031</b>	<b>534,067</b>
<b>Senior Executives of the OPCC</b>	5							
Police and Crime Commissioner		75,000	0	0	0	75,000	0	75,000
Deputy Police and Crime Commissioner		30,833	0	0	0	30,833	4,779	35,613
Chief of Staff	6	90,272	1,239	0	0	91,511	13,992	105,503
Sub Total OPCC		<b>196,106</b>	<b>1,239</b>	<b>0</b>	<b>0</b>	<b>197,345</b>	<b>18,771</b>	<b>216,116</b>
<b>Group Total</b>		<b>645,586</b>	<b>1,239</b>	<b>8,886</b>	<b>10,671</b>	<b>666,381</b>	<b>83,802</b>	<b>750,183</b>

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

**Note (2):** Other Payments represent Housing Allowance.

**Note (3):** Benefit in Kind represents private use of force vehicle.

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

**Note (5):** During this period the duties of the Section 151 officer role have been discharged by interim appointments with payments to third parties totalling £84,484.

**Note (6):** Essential User Car Allowance paid to Exec not in receipt of a Force Vehicle.

## 6.3.4 Disclosure of Remuneration for Senior Executives 2015/16

Post Holder Information	Notes	Salary	Bonuses and Allowances	Benefits in Kind	Other Payments	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration
		£	£	£	£	£	£	£
<b>Senior Executives of the Chief Constable</b>								
Chief Constable	1,5 & 7	142,743	0	1,748	3,066	147,557	12,595	160,152
Deputy Chief Constable	2,5 & 7	117,761	0	1,770	2,635	122,166	25,083	147,249
Assistant Chief Constable A	5	101,885	0	1,688	2,635	106,208	21,702	127,910
Assistant Temporary Chief Constable	3, 5 & 6	72,828	939	0	1,997	75,764	13,477	89,241
Assistant Chief Constable B	4,5,& 6	23,370	300	551	637	24,858	4,978	29,836
Head of Business Services		75,840	0	0	0	75,840	11,755	87,595
Sub Total Chief Constable		<b>534,427</b>	<b>1,239</b>	<b>5,757</b>	<b>10,970</b>	<b>552,393</b>	<b>89,590</b>	<b>641,983</b>
<b>Senior Executives of the OPCC</b>								
Police and Crime Commissioner		75,000	0	0	0	75,000	0	75,000
Deputy Police and Crime Commissioner	8	22,245	0	0	0	22,245	3,448	25,693
Chief Executive (formally Chief of Staff)	6	86,886	1,239	0	0	88,125	13,467	101,592
Chief Finance Officer	9 & 10	50,328	0	0	932	51,260	7,945	59,205
Sub Total OPCC		<b>234,459</b>	<b>1,239</b>	<b>0</b>	<b>932</b>	<b>236,630</b>	<b>24,860</b>	<b>261,490</b>
<b>Group Total</b>		<b>768,886</b>	<b>2,478</b>	<b>5,757</b>	<b>11,902</b>	<b>789,023</b>	<b>114,450</b>	<b>903,473</b>

**Note (1):** Promoted from Temporary Chief Constable on 8<sup>th</sup> June 2015

**Note (2):** Promoted from Temporary Deputy Chief Constable on 16<sup>th</sup> September 2015

**Note (3):** Temporary Assistant Chief Constable until 3<sup>rd</sup> January 2016

**Note (4):** Promoted to Assistant Chief Constable until 4<sup>th</sup> January 2016

**Note (5):** Other Payments represent Housing Allowance

**Note (6):** Essential User Car Allowance paid to Exec not in receipt of a Force Vehicle

**Note (7):** Benefit in Kind represents private use of force vehicle

**Note (8):** Includes period of unpaid leave from 1<sup>st</sup> April to 10<sup>th</sup> May 2015

**Note (9):** Voluntary Resignation on 13<sup>th</sup> November 2015

**Note (10):** Backdated pay award relating to 2014/15.



### 6.3.5 Related Party Transactions

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

The Group also has business relationships with Central Government and a number of other public organisations, such as Staffordshire County Council.

Details of our related party transactions are as follows:

- Central Government – it has effective control over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Details of transactions with government departments are set out in a note relating to the Cash Flow Statement.
- 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 2016/17 the PCC made a grant of £20,000 to this organisation which supported its work including the operation of the Staffordshire Police cadet force.

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

2015/16 £000	2016/17 £000
10,954 Stoke-on-Trent City Council	11,256
7,783 Stafford Borough Council	8,049
6,620 South Staffordshire District Council	6,674
6,463 Lichfield District Council	6,547
6,314 Newcastle-under-Lyme Borough Council	6,514
6,297 East Staffordshire Borough Council	6,433
5,760 Staffordshire Moorlands District Council	5,812
4,773 Cannock Chase District Council	4,927
3,768 Tamworth Borough Council	3,795
<b>58,732</b>	<b>60,007</b>

### 6.3.6 Pooled Budgets and Joint Operations

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

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

As from 1<sup>st</sup> 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 2016/17 amounted to £456k (2015/16 £531k).

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

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

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

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

The revenue account for the Unit covers all operating costs. The details for 2016/17 are as follows:

2015/16 £000		2016/17 £000
<b>Contributions to the Pooled Budget:</b>		
(3,965)	West Midlands PCC	(3,906)
(1,989)	West Mercia PCC	(1,959)
(1,873)	Staffordshire PCC	(1,845)
(8)	<b>Other Income</b>	(4)
<b>(7,835)</b>	<b>Total Income</b>	<b>(7,714)</b>
<b>Expenditure met from Pooled Budget:</b>		
7,032	Pay and Allowances	7,049
68	Premises Costs	68
539	Transport Costs	429
125	Communications and Computing	124
71	Supplies and Services	44
<b>7,835</b>	<b>Total Expenditure</b>	<b>7,714</b>
<b>0</b>	<b>Net Surplus/(Deficit) arising during the year</b>	<b>0</b>
	Staffordshire PCC share (23.9%) of	
0	Surplus/(Deficit)	0

### Regional Organised Crime Unit (ROCU) with West Midlands Police

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

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

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

2015/16 £000		2016/17 £000
<b>Funding provided to WMROCU</b>		
(1,429)	Contribution from West Midlands Police	(4,858)
(691)	Contribution from West Mercia Police	(1,587)
(361)	Contribution from Staffordshire Police	(1,426)
(261)	Contribution from Warwickshire Police	(733)
(1,745)	WMROCU Grant	(2,413)
(306)	National Cyber Security Programme Funding	(358)
(166)	Regional Asset Recovery Team grant	(168)
(669)	Additional Home Office Funding (grant provided mid year)	0
<b>(5,628)</b>	<b>Total Funding</b>	<b>(11,543)</b>
<b>WM ROCU Expenditure:</b>		
1,083	Regional Asset Recovery Team (RART)	997
166	RART - ACE Team	168
725	Regional Cyber Crime Unit	789
240	Regional Fraud Team	196
950	Regional Intelligence Unit	784
949	Regional Prisons Intelligence Unit	879
822	UKPPS (Protected Persons)	893
185	Project Management	0
74	Project Management (Phase 2)	82
48	Operational Security	76
0	Regional Government Agency Intelligence Network	49
201	Command Team	948
0	Regional Confidential Unit	3,984
0	TIDU- Technical Intelligence	741
0	Covert Operations	957
185	Confi Unit Project (RCU Project)	0
<b>5,628</b>	<b>Total Expenditure</b>	<b>11,543</b>
<b>0 Total Net Expenditure</b>		<b>0</b>

### Early Adopter Project with West Midlands Police

A pooled budget arrangement was established during 2011/12 between Staffordshire and West Midlands Police Forces. This is for work on the Early Adopter project which is funded by the Department of Health who issue a grant to each force. This project deals with the medical assessment of people held in custody. Staffordshire Police act as the lead force for this project and any related expenditure is held within the Comprehensive Income and Expenditure account for Staffordshire Police. The responsibility for commissioning this work and the budget for it will transfer to the Department of Health from 1 April 2017. Details of the expenditure are as follows:

2015/16 £000	2016/17 £000
<b>Funding Provided to the Pooled Budget:</b>	
0 Contribution from West Midland Police	0
0 Contribution from Staffordshire Police	0
<b>0 In Year Funding Provided to the Pooled Budget</b>	<b>0</b>
199 Surplus carried forward from previous year	198
<b>199 Total Funding to the Pooled Budget</b>	<b>198</b>
<b>Expenditure met from Pooled Budget:</b>	
0 Premises	0
0 Contracted Professional Support	16
1 Administration	0
<b>1 Total Expenditure</b>	<b>16</b>
0 Income Received to the Pooled Budget	8
<b>198 Net Surplus/(Deficit) arising during the year</b>	<b>190</b>
Surplus carried forward as a creditor on the balance sheet of the OPCC Staffordshire	(190)
<b>0 Closing Net Surplus/(Deficit)</b>	<b>0</b>

### 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 2016/17 a contribution of £0.204m (£0.171m in 2015/16) was made to West Midlands Police towards the cost of legal services and this figure is included in the Comprehensive Income and Expenditure Statement of the Group.

### Firearms Licensing

On 1 August 2013 a collaborative working arrangement commenced with West Midlands Police for the joint delivery of a Firearms Licensing Department based in Staffordshire and with all Police Staff being employed by Staffordshire Police. A contribution of £0.174m has been made by West Midlands Police towards the cost of the service during 2016/17 (£0.163m in 2015/16). This figure is included in the Comprehensive Income and Expenditure Statement of the Group. A formal agreement is in place.

### 6.3.7 Member and PCC Allowances

Allowances and expenses for Ethics, Transparency & Audit Panel members, the PCC and the Deputy PCC in 2016/17 amounted to £28,323 (£36,761 in 2015/16). The decrease is due to the changes in the governance structure introduced under the Police Reform and Social Responsibility Act 2011: the former Police Authority Members were paid an annual allowance whereas the PCC and the Deputy PCC are paid an annual salary, as set out in Note 6.3.3.

### 6.3.8 Proceeds of Crime Act 2002

The Group has separate bank accounts for temporarily holding third party funds seized as suspected proceeds of crime. At 31 March 2017 the balance on this account was £999,598 (£843,833 at 31 March 2016). This sum does not appear on the Balance Sheet of the OPCC Group accounts.

### 6.3.9 Contingent Liabilities

The Chief Constable of Staffordshire along with other Chief Constables and the Home Office, currently have claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until late 2017 or early 2018. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

The Chief Constable of Staffordshire along with other Chief Constables currently have claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful age discrimination arising from the application of Reg A19 which compulsorily retired officers with 30 years pensionable service. The parties are currently awaiting a decision on leave to appeal to Supreme Court, with previous decisions at Employment Tribunal Appeal and Court of Appeal having been in the defendant force's favour. The value of claims if successful is uncertain, and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

### 6.3.10 Events after the Balance Sheet date

There are no events after the balance sheet date.

### 6.3.11 Analysis of Government Grants and Reimbursements within Cash Flow Statement

All items in the Cash Flow Statement are shown on a cash basis, that is opening and closing accruals are excluded. The amounts below may therefore differ from those shown in notes 6.1.2 and 6.1.3, which are shown on an accruals basis.

2015/16 £000	2016/17 £000
66,868 Police Revenue Grant	66,487
31,976 Police Pension Scheme Grant (now shown in CC Cash Flow)	31,792
3,541 Council Tax Freeze Grant	3,541
1,230 Victim Support Service Grant	1,313
960 Safety Camera	596
560 Counter Terrorism	447
0 FME early adopter Grant DoH	8
479 CSE Innovation	641
203 Loan Charges	148
0 Police Fire Project	0
0 EGVE	10
1,010 Community Safety Fund	0
24 Drug Testing Enforcement Funding	42
<b>106,851</b>	<b>105,025</b>

# Section 7

# SUPPLEMENTARY FINANCIAL STATEMENT AND NOTES

## 7.1 Police Pension Scheme for England and Wales

### 7.1.1 Pension Fund Accounts 2016/17

FUND ACCOUNT 2015/16 £000		FUND ACCOUNT 2016/17 £000
<b>Contributions Receivable:</b>		
(13,309)	Contributions at 24.2% of Pensionable Pay	(12,847)
(1,689)	Early Retirements	(1,105)
0	Other - Pre 1974 Recharge Receipts	(47)
(8,638)	Officers Contributions	(8,301)
(23,636)		(22,300)
(143)	<b>Transfers in from Other Schemes</b>	(257)
<b>Benefits Payable:</b>		
45,932	Pensions	47,514
11,692	Commutations and Lump Sum Retirement Benefits	14,591
75	Lump Sum Death Benefits	277
57,699		62,382
<b>Payments to and on Account of Leavers:</b>		
(26)	Refund of Contributions	2
0	Individual Transfers out to Other Schemes	111
(26)		113
33,894	<b>Net Amount Payable for the Year</b>	39,938
(33,894)	<b>Additional Contribution from the OPCC</b>	(39,938)
0		0
<b><u>NET ASSETS STATEMENT AS AT 31 MARCH 2017</u></b>		
0	Recoverable From the Home Office via the OPCC	(27)
0	Additional Lump Sums due	27
0	<b>Net (Liabilities)</b>	0

### 7.1.2 Notes to Supplementary Financial Statements

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

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

The 2007 Regulations provide that the OPCC must transfer an amount from the Police Fund to the Pension Fund where income to the Pension Fund is less than its expenditure so that the Fund will be balanced to nil at the end of each financial year. In the year ended the 31 March 2017 the OPCC transferred £39.938m into the Fund to meet the excess expenditure in the year (£33.894m in 2015/16). Where the OPCC makes a transfer into the Pension Fund, the Home Office will pay a top-up grant to the OPCC and the OPCC acts as an intermediary for this grant receipt. The grant is shown on the CC's and OPCC Group's Comprehensive Income & Expenditure Statement but is transferred to the Pension Fund Account by an adjustment in the Statement of Movement in Reserves. The top-up grant payable to the OPCC in 2016/17 was £39.938m (£33.894m in 2015/16).

#### Accounting Policies

##### (a) *Transfer values*

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

##### (b) *Debtors and creditors*

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

##### (c) *IAS 19*

Relevant information from the pension accounts has been supplied to the Government Actuary Department (GAD), so the necessary information is available to help us meet IAS19. Further details of the long-term pension obligations are contained in note 37 of the Financial Statements.



## Section 8

# PCC FINANCIAL STATEMENTS AND NOTES

### 8.1 Introduction

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

The following pages include:

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

## 8.2 Core PCC Single Entity Financial Statements

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

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

2015/16 (Restated) Net Expenditure £000	Notes	2016/17 Net Expenditure £000
(2,301) Grants & Contributions	8.4.5	(2,526)
0 Reimbursements		0
0 Sales, Fees & Charges		0
0 Other Income		0
<b>(2,301) Total Income</b>		<b>(2,526)</b>
0 Police Officer Pay and Allowances		0
1,023 Police Staff Pay and Allowances		1,145
33 Other Employee Expenses		22
0 Police Pensions		0
0 Premises		0
21 Transport		33
546 Supplies and Services		1,026
4,387 Agency and Contracted Services		5,915
0 Depreciation, Amortisation and Impairment		0
0 Non Distributed Costs		2
<b>6,010 Total Expenditure</b>		<b>8,143</b>
<b>3,709 Cost of Services Before Intra-group Funding</b>		<b>5,617</b>
183,461 Intra-group Funding	8.4.1	180,261
<b>187,170 Cost of Services</b>		<b>185,878</b>
155 Other operating expenditure	6.2.1	(52)
1,777 Financing and Investment Income and Expenditure	8.4.2	1,766
(179,779) Taxation and Non-Specific Grant Income	6.1.3	(179,560)
<b>9,323 (Surplus) or deficit on Provision of Services</b>		<b>8,032</b>
(1,954) Surplus or Deficit on revaluation of non current assets	6.2.13	(2,711)
(542) Re-measurement of the net defined benefit liabilities	10.1.12	473
<b>(2,496) Other Comprehensive (Income) and Expenditure</b>		<b>(2,238)</b>
<b>6,827 Total Comprehensive (Income) and Expenditure</b>		<b>5,794</b>

### 8.2.2 PCC Single Entity Balance Sheet

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

31 March 2016 £000	Notes	31 March 2017 £000
51,155 Land and Buildings	6.2.1	51,277
16,663 Vehicles, Plant and Equipment	6.2.1	14,724
2,776 Intangible Assets	6.2.2	2,462
0 Assets under construction	6.2.1	2,097
444 Long-Term Debtors	6.2.3	364
<b>71,038 Long Term Assets</b>		<b>70,924</b>
0 Inventories	6.2.6	415
7,500 Assets Held for Sale	6.2.4	8,500
2,100 Short Term Investments	6.2.14	0
3,162 Cash and Cash Equivalents	6.2.8	2,286
21,478 Short Term Debtors	8.4.6	31,237
<b>34,240 Current Assets</b>		<b>42,438</b>
0 Bank Overdraft	6.2.8	0
(2,000) Short Term Borrowing	6.2.14	(19,209)
(21,757) Short Term Creditors	8.4.7	(15,151)
<b>(23,757) Current Liabilities</b>		<b>(34,360)</b>
0 Provisions	6.2.10	(1)
(36,300) Long-Term Borrowing	6.2.14	(39,550)
(1,085) Other Long Term Liabilities	6.2.11	(542)
(1,204) Liability Related to Defined Benefit Pension Schemes	10.1.14	(1,773)
<b>(38,589) Long Term Liabilities</b>		<b>(41,866)</b>
<b>42,932 Net Liabilities</b>		<b>37,138</b>
<b>Financed by:</b>		
Usable Reserves:		
(6,282) General Fund	6.2.12	(5,536)
(10,783) Earmarked Reserves	6.2.12	(7,753)
0 Capital Receipt Unapplied		(331)
(25,867) Unusable Reserves	8.4.8	(23,518)
<b>(42,932) Total Reserves</b>		<b>(37,138)</b>

### 8.2.3 PCC Single Entity Movement in Reserves Statement

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

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total OPCC Reserves £000
<b>Balance as at 1 April 2015</b>		6,282	16,439	0	0	22,721	27,041	49,762
<b><i>Movement in Reserves During 2015/16:</i></b>								
Total Comprehensive Income and Expenditure	8.2.1	(9,323)	0	0	0	(9,323)	2,496	(6,827)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	8.3.2	3,668	0	0	0	3,668	(3,668)	0
<b>Net increase/(decrease) before Transfers to Earmarked Reserves</b>		<b>(5,656)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,655)</b>	<b>(1,172)</b>	<b>(6,827)</b>
Transfers To/From Earmarked Reserves		5,656	(5,656)	0	0	0	0	0
<b>Decrease in 2015/16</b>		<b>0</b>	<b>(5,656)</b>	<b>0</b>	<b>0</b>	<b>(5,655)</b>	<b>(1,172)</b>	<b>(6,827)</b>
<b>Balance at 31 March 2016 Carried Forward</b>		<b>6,282</b>	<b>10,783</b>	<b>0</b>	<b>0</b>	<b>17,066</b>	<b>25,869</b>	<b>42,935</b>
<b><i>Movement in Reserves During 2016/17:</i></b>								
Total Comprehensive Income and Expenditure	8.2.1	(8,032)	0	0	0	(8,032)	2,238	(5,794)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	8.3.2	4,257	0	0	331	4,588	(4,588)	0
<b>Net increase/(decrease) before Transfers to Earmarked Reserves</b>		<b>(3,775)</b>	<b>0</b>	<b>0</b>	<b>331</b>	<b>(3,444)</b>	<b>(2,350)</b>	<b>(5,794)</b>
Transfers To/From Earmarked Reserves		3,029	(3,029)	0	0	0	0	0
<b>Decrease in 2016/17</b>		<b>(746)</b>	<b>(3,029)</b>	<b>0</b>	<b>331</b>	<b>(3,444)</b>	<b>(2,350)</b>	<b>(5,794)</b>
<b>Balance at 31 March 2017 Carried Forward</b>		<b>5,536</b>	<b>7,754</b>	<b>0</b>	<b>331</b>	<b>13,622</b>	<b>23,519</b>	<b>37,141</b>

## 8.2.4 PCC Single Entity Cash Flow Statement

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

2015/16		2016/17	
£000	£000	£000	£000
<b>Revenue Activities</b>			
	<b>Cash outflows</b>		
1,077	Cash paid to and on behalf of employees	1,167	
1,850	Other operating cash payments	6,973	
178,092	Intra-group Funding	188,470	
1,763	Interest paid	1,746	
			198,356
	<b>Cash inflows</b>		
(58,731)	Precepts received	(60,003)	
(40,166)	National Non-Domestic Rate receipts	(39,937)	
(8,423)	Revenue Support Grant	(8,423)	
(74,875)	Other Government Grants and reimbursements	(73,234)	
(456)	Cash received for goods and services	(8)	
(38)	Interest received	(21)	
			(181,626)
	<b>93 REVENUE ACTIVITIES NET CASH FLOW</b>		<b>16,730</b>
<b>Cash Flows from Investing Activities</b>			
	<b>Cash outflows</b>		
7,975	Purchase of Fixed Assets	7,361	
2,100	Purchase of short-term and long-term investments	0	
			7,361
	<b>Cash inflows</b>		
(146)	Sale of Fixed Assets	(222)	
(2,049)	Capital Grants received	(1,163)	
(11,051)	Proceeds from short-term and long-term investments	(2,100)	
0	Other Capital Cash Receipts	0	
			(3,485)
	<b>(3,171) NET CASH OUTFLOW BEFORE FINANCING</b>		<b>3,876</b>
	<b>Management of Liquid Resources</b>		
0	Net increase/(decrease) in short term deposits	0	
0	Net Increase / (decrease) in other Liquid Resources	0	
771	Repayments of amounts borrowed	2,271	
0	New loans raised	(22,000)	
			(19,729)
	<b>(2,307) NET (INCREASE)/DECREASE IN CASH</b>		<b>877</b>
	<b>(855) Cash and Cash Equivalents at the Beginning of the Reporting Period</b>		<b>(3,162)</b>
	<b>(3,162) Cash and Cash Equivalents at the End of the Reporting Period</b>		<b>2,286</b>

## 8.3 Expenditure and Funding Analysis

2015/16				2016/17				
General Fund (Net Expenditure )	Adjustments Between Funding Basis and IFRS Basis	CIES (Net Expenditure )		General Fund (Net Expenditure )	Adjustments Between Funding Basis and IFRS Basis	Reallocation	CIES (Net Expenditure )	
£000	£000	£000		£000	£000	£000	£000	
0	0	0	Police Officer Pay and Allowances	0	0	0	0	0
961	62	1,023	Police Staff Pay and Allowances	1,090	55	0	1,145	
33	0	33	Other Employee Expenses	22	0	0	22	
0	0	0	Police Pensions	0	0	0	0	
0	0	0	Premises	0	0	0	0	
21	0	21	Transport	33	0	0	33	
546	0	546	Supplies and Services	1,026	0	0	1,026	
4,387	0	4,387	Agency and Contracted	5,915	0	0	5,915	
0	0	0	Depreciation, Impairment etc	0	0	0	0	
(2)	2	0	Non Distributed Costs	0	2	0	2	
<b>5,946</b>	<b>64</b>	<b>6,010</b>	<b>Net Cost of Services</b>	<b>8,086</b>	<b>57</b>	<b>0</b>	<b>8,143</b>	
(2,301)	0	(2,301)	Grants & Contributions	(2,526)	0	0	(2,526)	
0	0	0	Reimbursements	0	0	0	0	
0	0	0	Sales, Fees & Charges	0	0	0	0	
0	0	0	Other Income and Expenditure	0	0	0	0	
178,012	5,449	183,461	Intra-group Funding	172,368	5,370	2,523	180,261	
<b>181,657</b>	<b>5,513</b>	<b>187,170</b>	<b>Net Cost of Services</b>	<b>177,928</b>	<b>5,427</b>	<b>2,523</b>	<b>185,878</b>	
0	155	155	(Surplus) or Deficit on disposal of assets	0	(52)	0	(52)	
1,728	49	1,777	Financing and Investment Income and Expenditure	1,720	46	0	1,766	
(177,729)	(2,049)	(179,778)	Taxation and Non-Specific Grant Income	(178,396)	(1,164)	0	(179,560)	
<b>5,656</b>	<b>3,668</b>	<b>9,324</b>	<b>(Surplus) or deficit on Provision of Services</b>	<b>1,252</b>	<b>4,257</b>	<b>2,523</b>	<b>8,032</b>	
0	(1,954)	(1,954)	(Surplus) or Deficit on revaluation of non current	0	(2,711)	0	(2,711)	
0	(542)	(542)	Re-measurement of the net defined benefit	0	473	0	473	
(5,656)	5,656	0	Transfers To/(From) Earmarked Reserves	(1,597)	1,597	(2,523)	0	
<b>0</b>	<b>6,828</b>	<b>6,828</b>	<b>Net Surplus / Deficit funded from General Fund</b>	<b>(345)</b>	<b>3,616</b>	<b>0</b>	<b>5,794</b>	
6,282			<b>Opening General Fund Balance at 1 April</b>	6,282				
0			Surplus or (Deficit) on General Fund	(1,091)				
0			Transfers To/(From) Earmarked Reserves	345				
<b>6,282</b>			<b>Closing General Fund at 31 March</b>	<b>5,536</b>				

### 2016/17 Adjustments from General Fund to arrive at CIES

Adjustments from General Fund to arrive at the CIES	Capital £000	Pensions £000	Other £000	Total £000
Police Staff Pay and Allowances	0	(48)	(7)	<b>(55)</b>
Non Distributed Costs	0	(2)	0	<b>(2)</b>
<b>Net Cost of Services</b>	<b>0</b>	<b>(50)</b>	<b>(7)</b>	<b>(57)</b>
Intra-group Funding	(5,375)	0	5	<b>(5,370)</b>
Loss or gain on disposal of fixed assets	52	0	0	<b>52</b>
Financing and Investment Income and Expenditure	0	(46)	0	<b>(46)</b>
Taxation and Non-Specific Grant Income	1,164	0	0	<b>1,164</b>
<b>Difference between General Fund and CIES</b>				
<b>Surplus or Deficit on the Provision Of Services</b>	<b>(4,159)</b>	<b>(96)</b>	<b>(2)</b>	<b>(4,257)</b>

### 2015/16 Adjustments from General Fund to arrive at CIES

Adjustments from General Fund to arrive at the CIES	Capital £000	Pensions £000	Other £000	Total £000
Police Staff Pay and Allowances	0	(70)	8	(62)
Non Distributed Costs	0	(2)	0	(2)
<b>Net Cost of Services</b>	0	(72)	8	(64)
Intra-group Funding	(5,528)	0	(76)	(5,604)
Financing and Investment Income and Expenditure	0	(49)	0	(49)
Taxation and Non-Specific Grant Income	2,049	0	0	2,049
<b>Difference between General Fund and CIES Surplus or Deficit on the Provision Of Services</b>	(3,479)	(121)	(68)	(3,668)

### 8.3.1 Prior Period Restatement of Service Expenditure and Income

The 2016/17 Code requires the Group and PCC to present expenditure and income on services in the CIES on the basis of its reportable segments. These arrangements are based on the Group's internal management reporting structure. This note shows how the CIES expenditure and income has been restated from the SeRCOP basis that was used previously.

Gross Expenditure	Police Staff Pay and Allowances	Other Employee Expenses	Transport	Supplies and Services	Agency and Contracted Services	Total Gross Expenditure
Local Policing	0	0	0	0	1,755	1,755
Dealing with the public	0	0	0	0	374	374
Criminal Justice Arrangements	0	0	0	10	325	335
Road Policing	0	0	0	0	147	147
Specialist Operations	0	0	0	0	226	226
Intelligence	0	0	0	0	154	154
Specialist Investigations	0	0	0	0	726	726
Investigative Support	0	0	0	0	162	162
National Policing	0	0	0	0	76	76
Corporate and Democratic Core	1,023	33	21	536	442	2,055
Non Distributed Costs	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>1,023</b>	<b>33</b>	<b>21</b>	<b>546</b>	<b>4,387</b>	<b>6,010</b>

Gross Income	Grants & Contributions	Total Income
Local Policing	(848)	(848)
Dealing with the public	(181)	(181)
Criminal Justice Arrangements	(151)	(151)
Road Policing	(58)	(58)
Specialist Operations	(88)	(88)
Intelligence	(78)	(78)
Specialist Investigations	(806)	(806)
Investigative Support	(63)	(63)
National Policing	(29)	(29)
Corporate and Democratic Core	0	0
Non Distributed Costs	0	0
<b>Total Expenditure</b>	<b>(2,302)</b>	<b>(2,302)</b>



### 8.3.2 Adjustments between Accounting Basis and IFRS Basis

2015/16				2016/17			
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments Primarily Involving the Capital Adjustment Account:</b>							
<i>Reversal of items Debited or Credited to the CIES:</i>							
0	0	0	0	553	0	0	(553)
6,591	0	0	(6,591)	5,495	0	0	(5,495)
680	0	0	(680)	413	0	0	(413)
0	0	0	0	170	0	0	(170)
859	0	0	(859)	651	0	0	(651)
(271)	0	0	271	(271)	0	0	271
0	0	0	0	<i>Insertion of items not debited or credited to the CIES:</i>			
(1,640)	0	0	1,640	(2,045)	0	0	2,045
(846)	0	0	846	579	0	0	(579)
<b>Adjustments Primarily involving the Capital Grants Unapplied Account</b>							
0	0	0	0	(331)	0	331	0
(2,049)	0	0	2,049	(833)	0	0	833
<b>Adjustments primarily involving the Capital Receipts Reserve</b>							
155	146	0	(301)	(222)	222	0	0
0	(146)	0	146	0	(222)	0	222
<b>Adjustments Involving the Pensions Reserve</b>							
207	0	0	(207)	184	0	0	(184)
(86)	0	0	86	(88)	0	0	88
0	0	0	0	0	0	0	0
<b>Adjustments Involving the Collection Fund Adjustment Account</b>							
76	0	0	(76)	(5)	0	0	5
<b>Adjustment Involving the Accumulated Absences Account</b>							
(8)	0	0	8	7	0	0	(7)
<b>3,668</b>	<b>0</b>	<b>0</b>	<b>(3,668)</b>	<b>4,257</b>	<b>0</b>	<b>331</b>	<b>(4,588)</b>
<b>Total Adjustments</b>							

## 8.4 Notes to the Core PCC Financial Statements

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

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

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2016/17 amounts to £180.2m (£183.5m in 2015/16). 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.

2015/16 £000	2016/17 £000
168,652 Chief Constable's Cost of Services	150,591
72,230 Interest on the net defined benefit liability	69,898
(33,894) Home Office grant towards cost of retirement	(39,938)
(271,752) Re-measurement of the net defined benefit liability	325,280
<b>(64,764) Resources Consumed</b>	<b>505,831</b>
<b>Items removed through the MIRS</b>	
248,178 Movement in pensions liability	(325,278)
47 Movement in accumulated absences liability	(292)
<b>Total Resources consumed for the year by the</b>	
<b>183,461 Chief Constable and funded by the PCC</b>	<b>180,261</b>

### 8.4.2 Financing and Investment Net Expenditure

Financing and Investment includes the following items,

2015/16 £000	2016/17 £000
1,766 Interest Payable and Similar Charges	1,743
49 Pension Net Interest Cost	48
(38) Interest Receivable and Similar Income	(25)
<b>1,777 Total</b>	<b>1,766</b>

### 8.4.3 Audit Fees

The audit fees payable in 2016/17 to the Auditors in relation to the audit of PCC single entity accounts were as follows:

2015/16 OPCC £	2016/17 OPCC £
42,202 External Audit Fees	31,732
<b>42,202 Total Audit Fees</b>	<b>31,732</b>

#### 8.4.4 Officers Remuneration

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

Remuneration Band	PCC	
	Number of Employees 2015/16	2016/17
£50,000 - £54,999	1	0
£55,000 - £59,999	0	0
£60,000 - £64,999	1	0
£65,000 - £69,999	2	2
£70,000 - £74,999	0	1
£75,000 - £79,999	1	1
£80,000 - £84,999	0	0
£85,000 - £89,999	1	0
£90,000 - £94,999	0	1
<b>Total</b>	<b>6</b>	<b>5</b>

#### 8.4.5 Specific Grants

Included within the Gross income figure in the Net Cost of Services for the OPCC are specific grants and contributions of £2.526m. A breakdown of these by awarding body is listed below:

2015/16 £000	Body	2016/17 £000
1,230	Victim Service Grant/ Completed Fund	1,313
448	CSE Innovation Fund	448
164	Loan Charges	164
<b>1,842</b>	<b>Total Specific Grants</b>	<b>1,925</b>
459	Contributions	601
<b>2,301</b>	<b>Total Grants and Contributions</b>	<b>2,526</b>

#### 8.4.6 Debtors

31 March 2016	31 March 2017
£000	£000
12,405 Central Government Bodies	19,698
2,910 Other Local Authorities	3,019
26 NHS Bodies	226
0 Public Corporation	20
6,137 Other Entities and Individuals	8,275
<b>21,478 Total Short Term Debtors</b>	<b>31,238</b>

## 8.4.7 Creditors

31 March 2016 £000	31 March 2017 £000
546 Central Government Bodies	217
4,137 Other Local Authorities	2,167
214 NHS Bodies	48
12,931 Other Entities and Individuals	12,719
<b>17,828 Total Short Term Creditors</b>	<b>15,151</b>

## 8.4.8 PCC Unusable Reserves

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

	Balance 1 April £000	Transfers Out £000	Transfer In £000	Balance 31 March £000
Accumulated Absences Account	(13)	(7)	0	(20)
Revaluation Reserves	6,481	(459)	2,918	8,940
Capital Adjustment Account	18,562	(7,438)	3,201	14,325
Deferred Capital Receipts	444	0	0	444
Pension Reserve	(1,204)	0	(569)	(1,773)
Collection Fund Adjustment Account	1,597	0	5	1,602
<b>Total</b>	<b>25,867</b>	<b>(7,904)</b>	<b>5,555</b>	<b>23,518</b>

## Accumulated Absences Account:

2015/16 £000	2016/17 £000
<b>(21) Balance as at 1 April</b>	<b>(13)</b>
21 Settlement or Cancellation of Accrual Made at the End of the Preceding	13
(13) Amounts Accrued at the End of the Current Year	(20)
8 Amount by Which Officer Remuneration Charged to the CIES on	(7)
<b>(13) Balance as at 31 March</b>	<b>(20)</b>

## Pension Reserve:

2015/16 £000	2016/17 £000
<b>(1,625) Balance as at 1 April</b>	<b>(1,204)</b>
542 Re-measurement of the net defined benefit Liability	(473)
Reversal of Items Relating to Retirement Benefits	
(207) Debited or Credited to CIES	(184)
Employers Pensions Contribution and Direct Payments	
86 to Pensioners Payable in the Year	88
Additional Contribution to the Pension Fund Balance the	
0 Deficit on the Fund Account	0
<b>(1,204) Balance as at 31 March</b>	<b>(1,773)</b>

# Section 9 (Appendix A) Accounting Policies

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

## 9.1 General Principles

### 9.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Group’s transactions for the 2016/17 financial year and its position at the year end of 31 March 2016. It provides the reader with information about the Group’s financial position and its stewardship of public funds. 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 2016/17 (the Code) which is based on approved accounting standards. The accounts are supported by IFRS and statutory guidance issued under Part 3 of the 2015 Act.

### 9.1.2 Accounting Convention

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

A prior period adjustment will be made to the accounts as a result of a change in accounting policies. Changes in accounting estimates will be accounted for prospectively i.e. in current and future years. Material errors in prior periods are corrected retrospectively by amending opening balances and comparative amounts. A full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

### 9.1.4 Events after the Balance Sheet Date

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

- For any material events after the balance sheet date which provide additional evidence regarding conditions existing at the balance sheet date, an adjustment has been made to the Statement of Accounts.
- Material events after the balance sheet date which concerned conditions not existing at 31 March have been disclosed as a separate note to the accounts.

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

### 9.1.5 Accruals of Expenditure and Income

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:

- 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.

## 9.2 Policies primarily affecting the CIES

### 9.2.1 Government Grants and Contributions

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

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

### 9.2.2 Operating Leases

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

#### 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.

#### 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.

### 9.2.3 Employee Benefits

#### Benefits Payable during Employment

Wages and salaries, paid annual leave and paid sick leave are recognised as an expense for services in the year in which employees render service to the Group.

An accrual is made for the cost of the holiday entitlements or for any form of leave, e.g. time off in lieu, which employees have earned during the year but are able to carry forward into the next financial year.

#### Termination Benefits

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.

#### 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

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.



- Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, which is a funded defined benefit scheme 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.

### **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**

The Group has powers to make awards to Police Officers who have ceased to be members of the police force and are permanently disabled as a result of an injury received without his/her own default in the execution of his/her duty. These payments are made in accordance with the Police (Injury Benefit) Regulations 2006.

#### **9.2.4 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.

#### **9.2.5 Financing and Investment**

The financing an investment line of the CIES is charged or credited for the following amounts relating to investments:

- Gain or loss on the difference between net sale proceeds and carrying value of investment properties.
- Gains and losses on the repurchase or early settlement of borrowing.
- Interest costs and expected return on Defined Benefit pension schemes.

#### **9.2.6 Other Operating Expenditure**

Other operating expenditure includes charges for:

- Gains or losses on sale and de-recognition of non-current assets (excluding investment properties)
- Actuarial gains or losses and return on plan assets of Defined Benefit Pension Schemes, which are charged to the Pension Reserve

#### **9.2.7 Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with arrangements for accountability and financial performance.



### **9.2.8 Jointly Controlled Operations**

Joint operations occur where rights to assets and obligations of an arrangement are shared between the controlling parties. In relation to activities that the Group undertakes with joint operators, the Group recognises in its accounts, its own items together with its share of any joint items relating to assets, liabilities, revenue and expenses.

### **9.2.9 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.

### **9.2.10 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.

## **9.3 Policies primarily affecting the Balance Sheet**

### **9.3.1 Fair Value Measurement**

The Group measures some of its non-financial assets and liabilities at fair value at their reporting date. Fair value bases the value for that asset or liability on an assumed transaction that takes place either:

- In the principal market for the asset or liability, or if not available;
- In the most advantageous market for the asset or liability

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

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

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

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

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

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

#### **PPE - Recognition**

##### *General*

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it brings benefits to the Group for more than one financial year. Expenditure

that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

### *Surplus Assets*

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

### *Intangible assets*

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

## **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.

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.

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

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

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

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

## **Impairment**

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

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

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

## **Depreciation and Amortisation**

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

Depreciation is calculated on the following bases:

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

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

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

### Disposals

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the Police Fund Balance in the MIRS.

### 9.3.3 Assets Held for Sale

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

Depreciation is not charged on Assets Held for Sale.

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

### 9.3.4 Financial Liabilities

Financial liabilities (borrowings) are recognised on the Balance Sheet initially at fair value and carried at their amortised cost. Interest payable (calculated from the carrying amount and effective rate of interest where necessary) is charged to the Financing and Investment Income

and Expenditure line of the CIES. The amount shown in the Balance Sheet is the carrying amount of the loan at 31st March.

### 9.3.5 Inventories/Stocks

Inventories are largely included in the Balance Sheet at latest purchase price and any difference between this and actual cost is not considered to be material.

### 9.3.6 Loans and Receivables

Loans (investments) and receivables are recognised on the Balance Sheet, initially at fair value and carried 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 loans this means that the Balance Sheet value represents the outstanding principal receivable plus any accrued interest.

### 9.3.7 Provisions

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

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

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

### 9.3.8 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.

### 9.3.9 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.

### 9.3.10 Defined Benefit Schemes

For the Local Government Pension Scheme, pension fund assets are accounted for at fair value as follows:

- Quoted and unitised securities - current bid price
- Unquoted securities - professional estimate
- Property - market value.

For both defined benefit schemes pension liabilities are measured on an actuarial basis, using an assessment of the future payments that will be made for retirement benefits earned to date by employees. This assessment includes assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer's liabilities and the requirements of IAS19. The discount rate chosen is the indicative rate of return on high quality corporate bonds.

### 9.3.11 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.

## 9.4 Policies Affecting the Cash Flow Statement

### 9.4.1 Cash and Cash Equivalents

Cash is represented by cash in hand. Cash equivalents include the following classes of financial assets that can be called upon at very short-notice and turned into cash:

- Money Market Fund balances
- Call accounts with banks or building societies
- Overnight fixed term deposits with banks or building societies

Investment balances are typically longer-term commitments either where cash cannot be realised quickly or where there is a risk that the value of the investment will change over time:

- Fixed term deposits greater than one day in duration

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of cash management.

## 9.5 Policies used to account on a Funding Basis

In a number of areas statutory provisions require the OPCC to account for transactions relating to the General Fund differently from the treatment required by IFRS. In each case the adjustment required is offset by a transfer to a specific reserve. The adjustments are shown within the MIRS as Adjustments between accounting basis and funding basis under regulations.

### 9.5.1 Precept income

Precept income is accounted for on the basis of the collection rate estimated at the time budgets are set. The difference between this and the accrued basis required by IFRS, which is based on estimates at the financial year end, is adjusted with the Collection Fund Adjustment Account.

### 9.5.2 Depreciation, amortisation, revaluation gains and losses and impairment

Instead of these charges an annual provision (MRP) is made from revenue to contribute towards the reduction in its borrowing requirement. This provision is based on a prudent assessment of the life and use of the assets giving rise to the borrowing requirement. The difference between the two transactions is adjusted with the Capital Adjustment Account.

### 9.5.3 Gains and Losses on Sale of Assets

Where sale proceeds are in excess of £10k, 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.

### 9.5.4 Capital grants

Capital Grants are reversed out of the General Fund to the Capital Grants Unapplied Account. When the grant is applied to fund capital expenditure, it is posted to the Capital Adjustment Account.

### 9.5.5 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Certain items of expenditure and related grant funding charged to the CIES under IFRS may be treated as capital for funding purposes. A transfer is made between the General Fund and the Capital Adjustment Account reserve for these items.

### 9.5.6 Employee Benefits

Accruals made for holiday entitlements or leave are reversed out of the General Fund to the Accumulated Absences Account.

### 9.5.7 Termination Benefits - Pension Enhancements

Pension costs calculated according to IAS 19 are replaced by the actual pension payment for the year. The difference between the two transactions is transferred between the General Fund and the Pensions Reserve.

## 9.6 Accounting Policies not relevant or not material

The accounting policies are reviewed each year to assess whether it is appropriate for individual policies to be included. There are a number of accounting policies that have not been included above, because the statements are not materially affected by their implementation. These policies include:

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



## Section 10 (Appendix B)

# PENSION SCHEMES

### 10.1 Pensions

#### ***Participation in Pension Schemes***

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

The OPCC participates in two post-employment schemes:

- The Local Government Pension Scheme for Police Staff (LGPS), administered by Staffordshire County Council. This is a funded defined benefit scheme, meaning that the OPCC and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The Police Pension Scheme for Police Officers (PPS), which is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Further details of this scheme are given in the Supplementary Financial Statement.

#### ***Transactions Relating to Retirement Benefits***

The OPCC recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the OPCC is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

## 10.1.1 Comprehensive Income and Expenditure Statement

	LGPS £000		PPS £000	
	2015/16	2016/17	2015/16	2016/17
<b>Cost of Services:</b>				
Current Service Costs (Inc Employee Cont)	(11,175)	(9,071)	(36,450)	(32,100)
Past Service Costs (Inc Curtailments)	(127)	(103)	(570)	(50)
Pension Transfers In			(400)	(250)
<b>Financing and Investment Income and Expenditure</b>				
Interest Cost on defined benefit obligation	(9,367)	(9,628)	(68,740)	(66,880)
Interest Income on Plan Assets	5,828	6,564		
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on Provision of Services</b>	<b>(14,841)</b>	<b>(12,238)</b>	<b>(106,160)</b>	<b>(99,280)</b>

## 10.1.2 Re-measurement of the net defined benefit Liability:

	LGPS £000		PPS £000	
	2015/16	2016/17	2015/16	2016/17
Return on plan assets (excl the amount inc in the net interest expense)	(3,949)	7,421	0	0
Re-measurement of the net defined benefit liability-demographic assumptions	0	24	32,960	48,760
Re-measurement of the net defined benefit liability-financial assumptions	32,577	(46,061)	180,420	(420,950)
Actuarial gains and losses on liabilities experience	2,132	12,708	28,150	72,340
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>30,760</b>	<b>(25,908)</b>	<b>241,530</b>	<b>(299,850)</b>

## 10.1.3 Movement in Reserves Statement

	LGPS £000		PPS £000	
	2015/16	2016/17	2015/16	2016/17
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	14,841	12,238	106,160	99,280
<i>Actual Amounts Charged Against the general Fund Balance for Pensions in the Year:</i>				
Employers Contributions Payable to Scheme	(6,142)	(5,891)	(57,270)	(65,600)
Retirement Benefits Payable to Pensioners				
<b>Total</b>	<b>8,699</b>	<b>6,347</b>	<b>48,890</b>	<b>33,680</b>



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

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

	2016/17 £000	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000
Present Value of the Defined Benefit Obligations					
PPS	(2,013,287)	(1,719,695)	(1,946,229)	(1,721,497)	(1,760,536)
LGPS	(321,487)	(272,053)	(288,122)	(226,859)	(202,514)
Fair Value of LGPS Assets	203,258	186,079	180,087	150,573	140,986
Deficit in the Scheme					
PPS	(2,013,287)	(1,719,695)	(1,946,229)	(1,721,497)	(1,760,536)
LGPS	(118,229)	(85,974)	(108,035)	(76,286)	(61,528)
<b>Total</b>	<b>(2,131,516)</b>	<b>(1,805,669)</b>	<b>(2,054,264)</b>	<b>(1,797,783)</b>	<b>(1,822,064)</b>

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

	Funded Liabilities: LGPS £000		Unfunded Liabilities: PPS £000	
	2015/16	2016/17	2015/16	2016/17
<b>Opening Balance at 1 April</b>	(288,122)	(272,053)	(1,946,229)	(1,719,695)
Current Service Cost	(11,175)	(9,071)	(28,540)	(23,800)
Interest Cost	(9,367)	(9,628)	(68,740)	(66,880)
Contributions by Scheme Participants	(2,462)	(2,360)	(7,910)	(8,300)
Re-measurement Gain/(Loss)	34,709	(33,329)	241,530	(299,850)
Pension Transfers In	0	0	(400)	(250)
Benefits Paid	4,491	5,057	57,270	65,600
Past Service Costs (including curtailments)	(127)	(103)	(570)	(50)
Top-up-Grant	0	0	33,894	39,938
<b>Closing Balance at 31 March</b>	<b>(272,053)</b>	<b>(321,487)</b>	<b>(1,719,695)</b>	<b>(2,013,287)</b>

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

	LGPS £000	
	2015/16	2016/17
<b>Opening Balance at 1 April</b>	180,087	186,079
Interest Income	5,828	6,564
Re-measurement gain/(loss):		
The Return on the plan assets, excluding the amount included in the net interest expense	(3,949)	7,421
Employer Contributions	6,142	5,891
Contributions by Scheme Participants	2,462	2,360
Benefits Paid	(4,491)	(5,057)
<b>Closing Balance at 31 March</b>	<b>186,079</b>	<b>203,258</b>

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 2016/17 and the potential effect of changes in these assumptions are set out below. The total net liability of £2,132m has a substantial impact on the net assets of the OPCC as recorded in the Balance Sheet.

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

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

### 10.1.7 The Local Government Pension Scheme assets comprised:

Asset Category	Year Ended 31 March 2016		Year Ended 31 March 2017	
	Fair Value of Scheme Assets £000	% age of Total Assets	Fair Value of Scheme Assets £000	%age of Total Assets
<b>Equity Securities:</b>				
Consumer	13,260.00	7	13,634.30	7
Manufacturing	10848.1	6	11,753.80	6
Energy and Utilities	4,243.50	2	5038.9	2
Financial Institutions	11,999.90	6	13,614.30	7
Health and Care	9,999.70	5	11,309.30	6
IT	11,332.70	6	13,603.60	7
Other	220.30	0	202	0
<b>Debt Securities:</b>				
Corporate Bonds (investment grade)	9,363.40	5	15,094.10	7
Corporate Bonds (non-investment grade)	0	0	0	0
UK Government	0	0	0	0
Other	0	0	0	0
<b>Private Equity:</b>				
All	5,822.80	3	6,452.30	3
<b>Real Estate:</b>				
UK Property	16,518.00	9	16,362.40	8
Overseas Property	0	0	0	0
<b>Investment Funds and Unit Trusts:</b>				
Equities	63,245.80	34	67,843.50	33
Bonds	9,503.20	5	11,116.70	5
Hedge Funds	4,355.20	2	3,989.70	2
Commodities	0	0	0	0
Infrastructure	0	0	0	0
Other	5,206.90	3	3,032.90	1
<b>Derivatives:</b>				
Inflation	0	0	0	0
Interest Rate	0	0	0	0
Foreign Exchange	0	0	0	0
Other	0	0	0	0
<b>Cash and Cash Equivalents:</b>				
All	10,162.50	7	10,210.20	6
<b>Totals:</b>	<b>186,082</b>	<b>100</b>	<b>203,258</b>	<b>100</b>

Approximately 1.5% of the value of these Assets relates to the PCC Single Entity and 98.5% relates to the Chief Constable.

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

Source: Hymans Robertson LLP

### 10.1.8 Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	LGPS		PPS	
	2015/16	2016/17	2015/16	2016/17
Mortality Assumptions				
<u>Longevity at 65 for Current Pensioners</u>				
Men	22.1yrs	22.1yrs	23.1yrs	23.2yrs
Women	24.3yrs	24.4yrs	25.1yrs	25.2yrs
<u>Longevity at 65 for Future Pensioners</u>				
Men	24.3yrs	24.1yrs	25.1yrs	25.2yrs
Women	26.6yrs	26.4yrs	27.2yrs	27.3yrs
Rate of Inflation	2.2%pa	2.35%pa	2.2%pa	2.35%pa
Rate of Increases in Salaries	4.2%pa	2.8%pa	1.0%pa	1.0%pa
Rate of Increases in Pensions	2.2%pa	2.4%pa	0.0%pa	2.35%pa
Rate for Discounting Scheme Liabilities	3.5%pa	2.6%pa	3.55%pa	2.65%pa
Take Up of Option to Convert Annual Pension into Retirement Grant:				
Pre-April 2008 Service	50%	50%	N/A	N/A
Post-April 2008 Service	75%	75%	N/A	N/A

### 10.1.9 Sensitivity Analysis

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

LGPS Change in assumptions at 31 March	Approximate % Increase in Employer Liability	Approximate monetary amount (000's)
0.5 decrease in Real Discount Rate	12%	38,602
0.5% increase in the salary Increase rate	3%	9,126
0.5% increase in the pension Increase Rate	9%	28,682

PPS Change in assumptions at 31 March	Approximate % Increase in Employer Liability	Approximate monetary amount (000's)
0.5 decrease in Real Discount Rate	(9.70)%	(215,600)
1 year increase in member life expectancy	2.60%	57,600
0.5% increase in the salary Increase rate	1.10%	24,100
Early retirement: each member assumed to retire 1 year earlier	(0.10)%	(2,200)
0.5% increase in the pension Increase Rate	9.20%	205,200

### 10.1.10 Pensions for the PCC Single Entity

The tables below set out the estimated Pensions Charges, Assets and Liabilities relating to the 19 Staff (20 Staff in 2015/16) directly under the control of the PCC as at 31 March 2017 (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 1.5% in 2016/17 (1.4% in 2015/16) of the amounts shown in note 10.1.

### 10.1.11 Transactions Relating to Retirement Benefits

The OPCC recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the OPCC is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

### 10.1.12 Comprehensive Income and Expenditure

	2015/16 £000	2016/17 £000
<b>Cost of Services:</b>		
<i>Service cost comprising:</i>		
Current Service Cost (including Employee Contributions)	(156)	(136)
Past Service Cost (including curtailments)	(2)	(2)
<b>Financing and Investment Income and Expenditure:</b>		
Interest Cost on defined benefit obligation	(131)	(144)
Interest Income and Plan Assets	82	98
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on Provision of Services</b>	<b>(207)</b>	<b>(184)</b>
<i>Other Post-employment Benefits charged to the CIES Service Cost:</i>		
Remeasurment of the net defined benefit Liability comprising:		
Obligations relating to: staff previously under control of the chief Constable; and new staff in the year	64	84
Return on plan assets (excluding the amount included in the net interest expense)	(55)	(111)
Actuarial gains and losses arising on changes in demographic assumptions	(63)	0
Actuarial gains and losses arising on changes in financial assumptions	(456)	691
Actuarial gains and losses on liabilities- experience	(32)	(191)
<b>Total Post-employment Benefits charge to CIES:</b>	<b>(542)</b>	<b>473</b>

**10.1.13 Movement in Reserves Statement**

	2015/16 £000	2016/17 £000
Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post-Employment Benefits in Accordance with the code	207	184
<i>Actual Amounts Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme Retirement Benefits Payable to Pensioners	(86)	(88)
<b>Total</b>	<b>121</b>	<b>96</b>

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

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

	2015/16 £000	2016/17 £000
Present Value of defined benefit obligations	(3,809)	(4,822)
Fair Value of Assets	2,605	3,049
<b>Deficit in the Scheme</b>	<b>(1,204)</b>	<b>(1,773)</b>

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

	Funded Liabilities: LGPS £000	
	2015/16	2016/17
<b>Opening Balance at 1 April</b>	<b>(4,322)</b>	<b>(3,809)</b>
Obligations relating to: staff previously under control of the Chief Constable; and new staff in the year	287	(271)
Current Service Cost	(156)	(136)
Interest Cost	(131)	(144)
Contributions by Scheme Participants	(34)	(35)
Remeasurement gain/(loss)	486	(500)
Benefits Paid	63	75
Past Service Cost (including curtailments)	(2)	(2)
Top-up-Grant	0	0
<b>Closing Balance at 31 March</b>	<b>(3,809)</b>	<b>(4,822)</b>

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

	2015/16 £000	2016/17 £000
<b>Opening Balance at 1 April</b>	<b>2,701</b>	<b>2,605</b>
Assets relating to: staff previously under control of the Chief Constable; and new staff in the year	(223)	187
Interest Income	82	98
Remeasurement (loss)/gain:		
The return on plan assets, excluding the amount included in the net interest expense	(55)	111
Employer Contributions	129	88
Contributions by Scheme Participants	34	35
Benefits Paid	(63)	(75)
<b>Closing Balance at 31 March</b>	<b>2,605</b>	<b>3,049</b>

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 2016/17 and the potential effect of changes in these assumptions are set out below. The total net liability of £0.841m reduces the net assets of the PCC as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy. The deficit on the local government scheme will be made good by increased contributions over the working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the PCC in the year to 31 March 2017 are £0.101m.

# Section 11

## ABBREVIATIONS/GLOSSARY

### 11.1 Abbreviations

<b>OPCC</b>	-	Office of the Police and Crime Commissioner for Staffordshire Group
<b>PCC</b>	-	Police and Crime Commissioner
<b>CIES</b>	-	Comprehensive Income and Expenditure Statement
<b>CFR</b>	-	Capital Financing Requirement
<b>IAS</b>	-	International Accounting Standard
<b>IFRS</b>	-	International Financial Reporting Standards
<b>LGPS</b>	-	Local Government Pension Scheme
<b>GAD</b>	-	Government Actuary Department
<b>NPAS</b>	-	National Police Aviation
<b>MIRS</b>	-	Movement in Reserves Statement
<b>MTFO</b>	-	Medium Term Financial Outlook
<b>MTFP</b>	-	Medium Term Financial Plan
<b>NNDR</b>	-	National Non-Domestic Rates
<b>PPE</b>	-	Property Plant and Equipment
<b>PWLB</b>	-	Public Works Loan Board
<b>REFCUS</b>	-	Revenue Expenditure Financed from Capital under Statute
<b>RSG</b>	-	Revenue Support Grant
<b>ROCU</b>	-	Regional Organised Crime Unit
<b>PCCWM</b>	-	Police and Crime Commissioner West Midlands
<b>CCAOU</b>	-	Central Counties' Air Operations Unit



## 11.2 Glossary of Financial Terms

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

### Accounting Period

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

### Accounting Policies

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

### Accrual

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

### Actuarial gains and losses

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

### Agency Services

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

### Amortisation

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

### Appropriations

Amounts transferred to or from revenue or capital reserves.

### Assets

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

### Audit Commission

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

### Bad (and doubtful) Debts

Debts which may be uneconomical to collect or unrecoverable.

### Balance Sheet

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

### Budget

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

### **Capital Financing Requirement**

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

### **Capital Receipt**

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

### **Cash and Cash Equivalents**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

### **Code of Practice on Local Authority Accounting (UK)**

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

### **Commuted Lump Sums**

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

### **Componentisation**

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

### **Consolidated**

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

### **Contingency**

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

### **Contingent Liabilities**

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

### **Corporate and Democratic Core**

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

### **Creditors**

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

### **Current Service Cost**

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

### **Current Value**

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

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

### **Debtors**

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

### **Deferred Liabilities**

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

### **Defined Benefit Pension Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **Depreciation**

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

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

### **Exceptional Items**

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

### External Audit

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

### Fair Value

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

### Finance Lease

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

### Financial Instrument

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

### Financial Regulations

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

### Fixed Assets

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

### General Fund

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

### Going Concern

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

### Group Financial Statements

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

### Historical Cost

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

### IAS19

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

Disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

### **Impairment**

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

### **Intangible Assets**

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

### **International Financial Reporting Standards**

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

### **Joint Ventures**

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

### **Liability**

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

### **Liquid Resources**

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

### **Medium Term Financial Plan (MTFP)**

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

### **Minimum Revenue Provision**

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

### **National Non-Domestic Rates**

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

### **Net Revenue Expenditure**

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

### **Non Distributed Costs**

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

### **Non-Cancellable Lease**

A lease that is cancellable only:

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

### **Outturn**

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

### **Past Service Cost**

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

### **Post Balance Sheet Events**

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

### **Precepts**

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

### **Prior Year Adjustments**

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

### **Provision**

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

### **Prudential Code**

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

### **Public Works Loans Board (PWLB)**

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

### **Relevant Police Officer**

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

### **Remuneration**

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

### **Reserves**

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

### **Residual Value**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

### **Revenue Expenditure Funded From Capital under Statute (REFCUS)**

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

### **Revenue Support Grant (RSG)**

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

### **Service Reporting Code of Practice**

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

### **Senior Employee**

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

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

### **Single Entity Financial Statements**

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

### **Specific Grant**

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

### **Work in Progress**

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